II. ANNUAL PERFORMANCE REPORT

USDA's mission is to provide leadership on food, agriculture, natural resources and related issues based on sound public policy, the best available science and efficient management. The Department executed this mission in 2004 through such activities as:

- Providing farmers and ranchers with risk management and financial tools;
- Meeting with experts from around the globe to discuss current and new economic opportunities;
- Ensuring the safety and protection of the Nation's food supply;
- Helping millions of low-income households and most of America's children improve their diets via Departmental leadership of nutrition assistance programs;
- Delivering targeted nutrition assistance to children and low-income people;
- Fostering better nutrition and health with dietary guidance and promotion;
- Completing new Free Trade Agreements and opening new international markets;
- Fighting potential pests and disease outbreaks;
- Working to ensure the health and protection of the environment; and
- Providing aid to those impacted by severe weather and other disasters.

USDA's public performance management reporting process includes the following key components:

- A strategic plan that depicts the Department's long-term goals and strategies (http://www.usda.gov);
- An annual performance plan that outlines year-to-year strategies and targets for achieving USDA's long-term goals (http://www.usda.gov); and
- A performance and accountability report that shows Congress and the American people how well the Department did in reaching the goals established in the previous fiscal year.

Most of the Department's programs and activities are represented in specific performance goals and targets. USDA also conducts and supports a broad range of research, educational and statistical activities that contribute to the achievement of each of its overall goals. The creation of knowledge at the frontiers of biological, physical and social sciences, and the application of that knowledge to agriculture, forestry, consumers and rural America are core processes for USDA. Accordingly, selected accomplishments in research are presented throughout this report. Additionally, the report describes the data assessment used in the performance measures. These descriptions cover any material inadequacies in the completeness, reliability and quality of the performance data. Also included is a brief reason for why the data are inadequate and the actions USDA is taking to remedy such inadequacies. The thresholds, or ranges, for determining year-end performance results are also identified in the report. These thresholds are owner-identified and document the process for determining if a performance goal was exceeded, met or unmet. The owners also provided the rationale used to establish the met range.

The report includes a list of programs that have undergone the Office of Management and Budget (OMB) Program Assessment Rating Tool (PART). The PART identifies how well and efficiently a program is working and what specific actions can be taken to improve performance. Other program evaluations, which discuss the achievements or conclusions from the completion of internal and other external assessments conducted during FY 2004 related to the measures, also are included. Only Federal employees participated in the preparation of the performance information contained in the Annual Performance Report section.

Upon USDA's creation, it was President Abraham Lincoln's hope "that by the best cultivation in the physical world, beneath and around us, and the intellectual and moral world within us, we shall secure an individual, social and political prosperity and happiness, whose course shall be onward and upward, and which, while the earth endures, will not pass away." These next chapters of the *USDA Performance and Accountability Report* show how the Department committed itself to keeping President Lincoln's dream alive during 2004.

STRATEGIC GOAL 1: ENHANCE ECONOMIC OPPORTUNITIES FOR AGRICULTURAL PRODUCERS

The United States Department of Agriculture (USDA) continuously works to create more international economic opportunities for U.S. agricultural producers. The Department played a key role in negotiating free-trade agreements (FTAs) with Australia, Central America, the Dominican Republic, Morocco and Bahrain. It helped keep the Chinese market open for U.S. soybeans, leading to a record level of exports. USDA has taken the lead in reassuring its trading partners that it is safe to import U.S. meat and poultry. This effort follows several outbreaks of *Avian Influenza* and the finding of *Bovine Spongiform Encephalopathy* (*BSE*) in one U.S. cow that was imported from Canada. These animal disease outbreaks in the U.S. have caused export markets to close throughout the world.

Since the one case of *BSE* in December 2003, USDA has pursued actively the re-opening of key markets throughout the world. To date, more than $4.5 billion in export markets have been regained. Most recently, in October, the U.S. reached agreements with Japan and Taiwan that pave the way to resume the beef trade. In July, a framework agreement was reached in the World Trade Organization (WTO) agriculture negotiations, which tracks closely with USDA objectives, including a commitment to eliminate export subsidies and further reductions in market access barriers. Bilateral and regional trade agreements have been finalized with Australia, Morocco, Bahrain the countries of Central America and the Dominican Republic.

Building trade capacity in future international markets is a companion goal in reducing trade barriers. Long- and short-term efforts to stabilize and improve the social and economic infrastructure boost opportunities for trade to and from international markets. Education, business law, food safety, sound science and food aid to stabilize developing countries assures future U.S. export opportunities with fewer risks and stable growth potential. Using every means available, USDA diplomats and scientists work to overcome barriers to international trade and create opportunities for U.S. agricultural producers.

The Department also continued to implement the framework for farm and commodity programs under the FSRIA. The act provided America's farmers and ranchers with a variety of financial assistance options including direct and counter-cyclical payments, marketing assistance loan benefits and farm operating and ownership loans to promote stability in the agricultural sector. The FSRIA also provided, under Title IX provisions through the Bioenergy Program, financial support to bioenergy (commercial fuel grade ethanol and biodiesel) producers to encourage them to increase domestic production of renewable fuels. The Bioenergy Program provides financial support to biodiesel producers on all production to aid the developing industry. Additionally, USDA continued its efforts to streamline and modernize its program delivery structure to provide more efficient service for its customers.

Farmers also benefit from FSRIA, which requires:

- Procuring of qualifying biobased products by Federal agencies
- Paying eligible producers to encourage increased purchases of eligible commodities for the purpose of expanding production of bioenergy and supporting new production capacity for bioenergy;
- Awarding grants to eligible entities to educate Governmental and private entities that operate vehicle fleets, other interested entities (as determined by the Secretary) and the public about the benefits of biodiesel fuel use;
- Authorizing loans, loan guarantees and grants to farmers, ranchers and rural small businesses to purchase renewable energy systems, and to make energy efficiency improvements; and
- Providing funding totaling $75 million for Fiscal Years 2002 through 2007 from the Commodity Credit Corporation.

Successful use of biobased products by Federal agencies will serve as an important demonstration of the performance, efficiency and environmental benefit of using biobased products. This usage is expected to spur

the increased use of such products outside the Federal Government as well. That, in turn, will increase demand for agricultural, forestry and marine products for use as feedstocks in manufacturing biobased products.

USDA continued to expand the Federal Crop Insurance Program during 2004. The Agricultural Risk Protection Act of 2002 (ARPA) significantly changed how USDA conducts its new risk management pilot programs. This act also provides risk management education to farmers and ranchers. USDA has implemented the processes and vehicles needed for these new pilot programs through private and public organizations. USDA also has continued to maintain and improve its existing insurance products.

OBJECTIVE 1.1: EXPAND INTERNATIONAL MARKETING OPPORTUNITIES

Exhibit 6: Resources Dedicated to Expand Alternative Markets for Agricultural Products and Activities

USDA Resources Dedicated to Objective 1.1	FY 2004	
	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$1,796.5	5%
Staff Years	5,809	23%

Introduction

The value of U.S. agricultural exports in FY 2004 is approximately 10 percent higher than last year. In FY 2004, total U.S. export sales likely will reach a record $62 billion. U.S. soybean exports to China were a major contributing factor. Exports to China now are estimated at $6 billion, compared with $3.5 billion last year. Currently, China is the leading importer of U.S. cotton and soybeans and overall the fourth largest market for all U.S. agricultural exports. Total U.S. agricultural exports for FY 2005 are forecast at $57.5 billion, down $4.5 billion from FY 2004. Most of the projected decline is due to increased international competition and lower overseas prices for cotton, wheat and soybeans. Prices for these commodities are expected to decrease in response to their increased global production. While total U.S. cotton exports are expected to decrease 400,000 tons and wheat exports are expected to decline 6 million tons, corn exports are forecast to be 4 million tons higher and soybeans 3.8 million tons higher. The forecasted trade surplus for 2005 is expected to decline to $2.5 billion, the lowest level since 1972. While the growth in the volume of U.S. imports has remained stable, between 2002 and 2004, the total cost of U.S. imports has grown even more due largely to a weakening dollar, making foreign processed products more expensive. This climb in U.S. import costs based on exchange rates is expected to slow in 2005.

Overview

While progress has been less than initially hoped for in recent global trade negotiations conducted through the World Trade Organization (WTO), member countries did reach a framework agreement in July. The agreement outlines basic commitments that all participating countries will continue to work toward, including eliminating export subsidies, reducing trade-distorting and domestic support, and increasing market-access opportunities. USDA continues to work bilaterally to create new export opportunities through free-trade agreements (FTA) with individual countries. However, reducing trade barriers and creating opportunities is just the beginning for U.S. exporters. Opportunities are potential exports pending development. In order for U.S. exporters to capitalize on free-trade agreements, the Department is active in assuring that new and current market opportunities are maintained. This creates U.S. exporter confidence in taking the risks associated with developing export sales, which depend on consistent and reliable market access. As more international trade agreements are concluded, additional Department resources for monitoring and compliance efforts are necessary to assure sustainable export opportunities. Nearly 5,000 notifications of intent, to alter or create new import requirements, are submitted by WTO members annually. This is up from about 500 notifications annually just 10 years ago. While the number of notifications affecting agricultural trade is between 10 and 15 percent a year, every notification must be translated and evaluated for U.S. impacts, and immediately addressed if U.S. exports or export opportunities are affected negatively. A good many WTO notifications are a result of

the success of free-trade expansion. Developing countries in particular find that writing import regulations and instituting the details of new, official trade rules and scientific requirements create new unforeseen issues. With agriculture being a central focus for upcoming WTO negotiations, future notifications affecting agricultural trade likely will increase. The Department is working to secure long-term resolutions to challenges as they arise, such as *BSE*, *Avian Influenza* and individual countries' restrictions on bio-engineered crops.

According to U.S. Department of Commerce (DOC) trade statistics, through July of this year, U.S. exports to China rose 77 percent over the same period the previous year to a record $5.3 billion. While soybeans and cotton imports account for the majority of growth, wheat, consumer ready foods, and forest and seafood products also jumped in sales. This figure makes China the fastest growing U.S. export market and the fourth largest overall, behind Mexico, Japan and Canada. With a growth rate of only 25 percent, China easily could become the U.S. Government's second largest market in just a few years. Adding to this growth was a joint effort of USDA and the Office of the U.S. Trade Representative (USTR) to successfully reopen China's markets for U.S. soybeans. China threatened to suspend U.S. imports of several major soybean traders in 2003 because of the alleged presence of the fungus *Phytophthora sojae* in shipments. Although China's threatened suspension never was made official, it had the effect of shutting down nearly all soybean imports from the U.S. Importers and traders feared significant losses if shipments were denied entry at Chinese ports. Coordinating with other agencies, USDA ensured that this issue was raised during high-level meetings between the U.S. and Chinese Governments. China lifted its threat partially because of domestic market pressures. The move also signaled that *Phytophthora*, which is present in China, is not a threat. By late October 2003 (FY 2004), the soybean shipping season, which had a late start due to other market barriers, began in earnest. Soybean shipments to China are now at record levels. U.S. soybean exports to China totaled $1.8 billion in 2003. China purchased a record $2.4 billion of the crop through July 2004, an increase of 40 percent from the previous year.

In terms of agricultural trade, China's first year of WTO membership in 2002 involved implementing regulations relating to biotechnology safety, testing and labeling. These rules, issued by China's Ministry of Agriculture shortly before the country's WTO accession, did not provide adequate time for scientific assessment and the issuance of final safety certificates for U.S. biotechnology products. Following concerted high-level pressure from USDA and other U.S. agencies, China agreed to issue temporary safety certificates. China issued final safety certificates in February 2004 for all but one biotech corn variety.

Selected Results in Research, Extension and Statistics

Global Markets for High-Value Foods—USDA research on high value product markets produced initial findings that support future research on the complex trade patterns for these products. The report "International Evidence on Food Consumption Patterns" provides statistical evidence of global food consumption patterns across levels of income and products. Among high value products, trade in fruits and vegetables has increased rapidly in recent years. This increase is in response to consumer demand for fresh products and variety. The report "Global Trade Patterns in Fruits and Vegetables" documents the importance of regional markets centered on Europe, Asia and the Western Hemisphere. It also covers the growth in exports of juices and off-season fresh fruits from Southern Hemisphere countries. Information learned from this research is enabling the U.S. to participate competitively in international trade.

Serving the Public

Expanding market opportunities through trade negotiations is a major benefit to U.S. exporters. Each year, USDA reaches new agreements that expand market opportunities. On January 1, 2004, the U.S. and Chile entered into an historic and cutting-edge FTA that will eliminate bilateral tariffs, lower trade barriers, promote economic integration and expand opportunities for Americans and Chileans. Within four years, U.S. farmers will gain duty-free access to the Chilean market for such important U.S. products as pork, beef, soybeans, durum wheat, feed grains, potatoes and many processed food products. An FTA with Singapore also took effect on January 1, 2004. USDA also reached FTAs with Australia, Morocco, Bahrain, Central America and the Dominican Republic. U.S. agricultural exports to these countries currently total nearly $2.5 billion. Future market opportunities soon will be available for development. The Department, working with the U.S. Trade Representative's Office, launched new negotiations in 2004 with Panama, Thailand and the Andean countries of

Colombia, Peru and Ecuador. The new export opportunities created by these agreements typify the benefit derived from USDA's work in international trade policy.

Challenges for the Future

The next few years present exciting challenges for the Department, and increased export opportunities for the U.S. by reaching agreement in the WTO on new rules for agricultural trade while working towards additional FTAs. Agriculture is a central theme for this round of WTO negotiations and a sensitive issue for most developing counties. In these countries, food and agriculture are the dominant economic driver and the singular focus in establishing a stable social environment and a sustainable market infrastructure. New WTO trade rules will eliminate export subsidies, decrease trade distorting domestic support and reduce market access barriers around the world. Additional FTAs will address country or region specific market access issues. These issues are designed to boost U.S. export opportunities immediately while enhancing the impact of global agreements through the WTO. U.S. export opportunities will increase in large and important export markets and in emerging markets. This increase could push total U.S. agricultural exports to record levels in the next few years. U.S. meat, grains, soybeans, cotton and especially value-added, consumer-ready products will benefit from expanding export sales. On the U.S. import side, consumers are expected to continue their interest in high-value, internationally produced agricultural products. Additionally, developing countries will want more access to U.S. markets. This new access will allow them to benefit mutually from agreements on opening markets and conforming to international food and health standards. Along with additional agreements will come additional vigilance by USDA to monitor trade policy implementation to assure that export opportunities can materialize into U.S. sales.

KEY OUTCOME: IMPROVE INTERNATIONAL MARKETING OPPORTUNITIES

USDA works closely with USTR to pursue new trade agreements and enforce the provisions of existing agreements. The Department's industry partners promote trade and outreach activities to educate producers, processors and exporters on emerging market opportunities as a result of trade agreements. To capitalize on trade opportunities, USDA offers market intelligence, supply and demand forecasts, and sales development assistance to enhance U.S. exporters' success in the highly competitive global marketplace.

New export opportunities are realized by agriculture producers when:

- New opportunities and existing market access remains open and stable; and
- Better requirements are negotiated for certifying or testing the health of animals and plants with international destinations.

USDA seeks to lessen the financial burdens on U.S. exporters and adhere more closely to international science based standards. The U.S. agricultural sector and export businesses benefit from fewer barriers when moving products overseas.

The most effective means of expanding international market opportunities is to ensure that trade agreements with other countries covering the conditions applied to imports. A predictable system with basic sanitary and phytosanitary standards for fair and safe trade assures partners that those products will harm neither humans nor any agricultural resources. U.S. Government agricultural attachés, with 65 overseas posts, help retain, expand and open international markets for U.S. food and agricultural products. These officials discuss pest and disease issues affecting food and agricultural commodities.

In cooperation with its stakeholders, USDA's National Center for Import and Export (NCIE) develops scientifically based protocols and health certification procedures for exporting U.S. livestock, wild or exotic zoological animals, poultry, other birds, germplasm and animal-derived products and by-products. NCIE reviews import requirements and, where it finds unjustified requirements or restrictions, proposes changes to that country's requirements. These changes reflect advances in scientific knowledge and incorporate technically sound risk management procedures.

Exhibit 7: Increase U.S. Marketing Opportunities

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
1.1.1	Dollar value of trade preserved through FAS staff interventions and trade agreement monitoring ($ Mil)	$2,000	$3,950	Exceeded

Analysis of Results

USDA exceeded its performance goal by $1.95 billion. This was accomplished by trade opportunities preserved through monitoring and compliance enforcement, overseas advocacy services and trade negotiations. Contributing to the performance were two permanent trade agreements with China. At risk was $2.7 billion in annual U.S. exports to China due to issues over biotechnology and other U.S. soybean concerns.

This FY 2004 performance compares with FY 1999's baseline of $1.9 billion. There are billions of dollars worth of new trade opportunities waiting to be developed every year thanks to successful trade negotiations. The exact value of new markets opened through trade agreements is difficult to determine using traditional economic models. In a new market, there is little quantifiable data to estimate how consumer demand will react to import opportunities. Market development takes time and centers on consumer and wholesaler education to create a desire to purchase U.S. products, rather than those of competitors. Only after observing international import demand and growth rates over a few years can an estimate of total import opportunities be estimated with confidence. Assuring promised market access is a critical part of stable free trade. From year to year, the number of trade issues and their potential impact on U.S. exports depends on international reaction to such issues as biotechnology, plant and livestock diseases, pests, pesticides and sanitation. Addressing issues can be a quick agreement of mutual understanding or a long negotiation process, depending on the issue's complexity. While some of these trade-disrupting events occur in time to set work priorities and annual goals based on expected international reactions, additional events could occur that require immediate regrouping and realigning of staff and work priorities. While realigning goals mid-year can result in maximized market access for U.S. exporters, initial goals can appear either too low or too high at year's end. USDA projected a target of $2 billion in trade access and opportunities preserved in FY 2004. The target level was based partly on the value of last year's market access assistance to individual U.S. exporters by overseas-based agricultural Foreign Service officers. These U.S. agricultural officers reported more than 200 successful interventions for U.S. exporters having trade difficulties with international customs agents. This translated to more than $500 million in U.S. sales. The target also reflects the ongoing progress of active trade negotiations on market access. These negotiations cover new issues on old agreements and fresh and ongoing concerns about product standards, health issues, sanitation, diseases and biotechnology. A complicating factor is the limited availability of trade negotiations staff and resources. USDA's selecting this performance measure demonstrates the critical role that trade monitoring and compliance enforcement play in protecting U.S. exporter opportunities to capture sales as an outcome of successful negotiations. The successful China negotiations in FY 2004 that reopened U.S. soybean sales demonstrate how U.S. agriculture benefits from this activity. As the U.S. Government continues to negotiate new bilateral, regional and multilateral trade agreements, the challenge will be to monitor and enforce compliance effectively. This monitoring will ensure that U.S. agriculture receives full benefits from negotiated reductions in tariff and non-tariff barriers.

Exhibit 8: Expand and Retain Market Access

Trends	Fiscal Year 2004				
	2000	2001	2002	2003	2004
Dollar value of trade preserved through FAS staff interventions and trade agreement monitoring ($ Mil) Baseline: 1999 = $2,567	$837	$1.329	$1,327	$2,713	$3,950[1]

[1]Result based on projected estimate. See the Data Assessment of Performance Measures section for more information.

Through diligent monitoring and resolution of trade disputes with countries' notification processes, USDA has made remarkable progress in retaining sales of U.S. agricultural products that likely would have been lost without active market intervention. Sales retained or expanded are estimated at $3.9 billion. This is $1.33 billion higher than the baseline. The hard work of USDA's domestic and overseas field offices and the Department working with other Federal and State agencies, and industry and international Government officials made this achievement possible. Next steps include completion of the "Doha Round" agriculture negotiations and bilateral and regional FTA trade agreements.

OBJECTIVE 1.2: SUPPORT INTERNATIONAL ECONOMIC DEVELOPMENT AND TRADE CAPACITY BUILDING

Exhibit 9: Resources Dedicated to Support International Economic Development and Trade Capacity Building

USDA Resources Dedicated to Objective 1.2	FY 2004	
	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$2,891.5	7%
Staff Years	979	4%

Introduction

The ultimate goal for supporting developing countries is to help them become economically stable and capable of supporting their populations with jobs, affordable food and a vibrant trade capacity. USDA participates in this effort with food aid, development programs and research programs. These services are carried out by USDA and with other Federal agencies and countries through projects aimed at building trade capacity and socio-economic infrastructure. In combination with food aid that covers gaps in supplies and keeps the population healthy, economic development projects cover an array of social and economic needs. For USDA, these projects mainly address food safety and inspection, potable water, soil erosion, productive and sustainable growing, harvesting and storage techniques, and market infrastructure. These projects also facilitate progress towards building policy and regulatory frameworks consistent with international standards and a foundation for successfully participating in international trade. The primary focus for USDA food aid in developing countries is for school children and mothers, regulatory standards for sanitary and phytosanitary issues, and biotechnology. The standardization of forms will facilitate future U.S. trade in biotechnology products.

The McGovern-Dole International Food for Education and Child Nutrition Program, with funding levels at $100 million in FY 2003 and $50 million in FY 2004, is only in its second year of operation. The program provides for the donation of U.S. agricultural commodities and associated financial and technical assistance for pre-school and school feeding programs in developing countries. The program also authorizes maternal, infant and child nutrition programs. Its purpose is to support a healthy future population necessary for a stable society and a capable workforce. This workforce, healthy and literate, is a requirement for attracting jobs, supporting a sustainable economy and a secure food supply through domestic production and imports.

Overview

Like their international counterparts, Americans want a world where all countries are stabilized through economic development and trade capacity building. In developing and transitioning economies, USDA focuses on:

- Trade and investment liberalization to stimulate job and income growth;
- Research, education and development of market information systems to support production and marketing decisions;
- Institution building to support sustainable agriculture and market infrastructure; and
- Food support to assist social stability and enhance the health of current and future workers.

A recent example of this is USDA technical assistance to Central American Free Trade Agreement (CAFTA) countries to help align their meat inspection systems with U.S. import requirements. This assistance enhances trade between CAFTA countries and the U.S., since these countries now acknowledge and accept the U.S. inspection system. USDA also is providing technical assistance to all Latin American countries to advance the adoption of standard documentation for trade in biotechnology products throughout the Western Hemisphere. It also will advance trade in these products around the world. CAFTA is a free trade agreement between the U.S. and Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

Selected Results in Research, Extension and Statistics

Science and Technology Initiative to Reduce World Hunger—USDA launched the Norman E. Borlaug International Science and Technology Fellows Program to provide short-term training and exchanges in the U.S. for agricultural researchers, policymakers and university faculty from developing countries. The goal is to promote the development, adoption and transfer of agricultural and food-related technologies. Two regional ministerial conferences were held in Central America and West Africa to reinforce new priorities that emerged from the global Science and Technology Ministerial in Sacramento, California in June 2003. Participants at the Central American Ministerial Conference agreed on the importance of consistent and transparent regulatory frameworks to promote free trade. The conference also stimulated new ideas on regional integration and cooperation on agricultural research priorities. In West Africa, ministers adopted a resolution calling for greater research and investment in agricultural biotechnology, and recommended the creation of a center for biotechnology. They also asked how best to use these technologies to address the serious problems of hunger and malnutrition, and benefit small African farmers, consumers and the environment. USDA and the African Agricultural Technology Foundation signed a memorandum of understanding at the conference, providing access for Governments and researchers across Africa to USDA's vast scientific resources and experience.

International Research Partnerships—To help solve critical problems affecting food and agriculture in both the U.S. and cooperating countries, USDA supported a diverse group of American institutions in international research partnerships in more than 50 countries. Each joint project increased the pool of scientists with experience in agricultural biotechnology and other scientific techniques. Among these projects was Tuskegee University's cooperation with India to reduce the level of foodborne pathogens in poultry.

Collaborative Research—Innovative approaches to extension helped ensure use of new technologies developed from collaborative research. USDA scientists collaborated with the University of Hawaii, the California Extension Service and South African research centers to prevent the introduction of pathogens on Protea flowers. The flowers represent a multi-million dollar industry with tremendous growth potential for farmers in the U.S. and South Africa. Additionally, USDA researchers and scientists in the Pacific Islands collaborated to identify slug and snail pests that cause losses in food crops and hinder the export of specialty crops. The group will use a resulting manual to train quarantine and extension personnel in the Pacific region who are the first line of defense against the spread of new pests.

Sustainable Production in Developing Countries—Development activities and management of projects across Federal agencies, is a specialty of USDA's International Cooperation and Development staff. In FY 2004, more than 900 projects were ongoing, many affecting sustainable production in Africa, Central and South America, and Asia. Projects can be very short-term or last two to three years. At least 25 percent are completed each year and new efforts begun, which roll over to subsequent years. A good example is the soil fertility project in Haiti. For years, farmers in Haiti and other countries have used unsustainable farming practices that depleted the fertility of land. These actions forced them to abandon their sites and clear new ones. In Haiti, which has a small land mass but dense population, this has caused poverty and flight to the cities. With partial support from USDA, Experiment Station researchers at Auburn University are participating in a program in Haiti on soil management practices for sustainable production on densely populated tropical steeplands. The research is focused specifically on a system called alley cropping. Alley cropping involves planting nitrogen fixing trees in hedgerows between crops. This process is an alternative to "slash-and-burn" agriculture in Indonesia, Nigeria and Haiti in which the vegetation on a plot of rain forest is chopped down and then burned. After several years of farming, the plot is abandoned after exposure to tropical sunlight hardens the typically

thin and fragile soil. This exposure leaves it unproductive and exposed to erosion. In contrast, alley cropping promotes sustainable agricultural production by reducing surface water runoff and erosion, improving utilization of nutrients, and reducing wind erosion, while modifying the microclimate for improved crop production.

Serving the Public

The McGovern-Dole International Food for Education and Child Nutrition Program has gained efficiencies of delivery over the first year of operation, reducing the initial cost of meal distribution by more than 40 percent. This program has reduced the cost of its overall delivery. Using paperless Internet applications by private voluntary food-distribution organizations, USDA and organization staff hours and processing time were cut significantly. USDA offered a Web-based application process to receive proposals for FY 2003 and FY 2004. The Department received more than 50 funding applications from these private voluntary organizations. Internet submissions accounted for 31 of the proposals. Additionally, for the first time, a number of faith-based organizations successfully applied and were selected as partner-distributors.

Challenges for the Future

USDA's trade capacity building efforts are aimed at helping developing countries participate in negotiations, implement agreements and connect trade liberalization to a program for reform and growth. Helping these countries achieve sustainable economic development and capacity to trade helps build future growth markets for the U.S.

Unfortunately, significant food needs continue to limit development of trade capacity in many countries. USDA works closely with the World Food Program and private voluntary relief organizations to ensure that the U.S. commitment to alleviating global hunger and malnutrition remains strong.

KEY OUTCOME: SUPPORT FOREIGN FOOD ASSISTANCE

More than 800 million people worldwide suffer from hunger and malnutrition—most of them children. These children are the basis for a sustainable economic future. In many developing countries, children represent most of the total population. A healthy and educated young population is necessary to advance economic development, food security and a stable social structure. Activities aimed at market-capacity building for both domestic and international trade are enhanced by, and in-turn support, these basic requirements for a sustainable economic infrastructure. The U.S is the world's leader in international food aid, providing more than 50 percent of total worldwide food assistance to combat this challenge. U.S. food-aid programs are a joint effort across a number of Federal departments. USDA works with the U.S. Agency for International Development, not-for-profit organizations and American universities, to provide food-aid support and assistance. These activities foster a stable society, economic growth and market structure development. This development, in turn, increases the recipient countries' ability to reduce their dependence on food aid and boosts domestic production. It also allows these countries to become economically healthy and sustainable participants in global agricultural trade. The principal programs supporting these efforts are concessional food-aid sales under Title I of Pub. L. No. 83-480, the Food for Progress Program and McGovern-Dole International Food for Education and Child Nutrition Program and the Bill Emerson Humanitarian Trust.

Exhibit 10: Support Foreign Food Assistance

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
1.2.1	Improve food security and nutrition through McGovern-Dole International Food for Education and Child Nutrition Program by providing daily meals and take-home rations for mothers, infants and school children (Mil.)	1.25	1.25	Met

Analysis of Results

The performance goal was met. An important overall goal of USDA's economic development and trade capacity building objective is to help other countries reduce their dependence on food aid. Schools in food-

emergency countries frequently do not provide lunches to students. The Food for Education Program promotes school attendance while supplementing food-aid supplies designed to meet temporary domestic consumption needs. The Food for Education Program is unique in that its primary goal of increasing school attendance can be measured with confidence. In FY 2003, $100 million began the initial program and, on average, 1.75 million meals per day were distributed to school children and mothers. While the FY 2004 funding declined to $50 million, 1.25 million meals per day were distributed.

Exhibit 11: McGovern-Dole International Food for Education and Child Nutrition Program

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Improve food security and nutrition through McGovern-Dole International Food for Education and Child Nutrition Program by providing daily meals and take-home rations for mothers, infants and school children (Mil.)	N/A	N/A	N/A	1.75 Baseline	1.25

An extensive operational and results survey is conducted by every private voluntary organization participating in the delivery of food aid through McGovern-Dole International Food for Education and Child Nutrition Program. A thorough review and evaluation of the survey by USDA will cover the progress, results and challenges faced by the participating food distributors. The survey will be used to develop a strategy to address challenges to effective food distribution and barriers to better results.

OBJECTIVE 1.3: EXPAND ALTERNATIVE MARKETS FOR AGRICULTURAL PRODUCTS AND ACTIVITIES

Exhibit 12: Resources Dedicated to Expand Alternative Markets for Agriculture Products and Activities

USDA Resources Dedicated to Objective 1.3	FY 2004	
	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$4,458.2	11%
Staff Years	3,608	14%

Introduction

FSRIA provides new opportunities for USDA to foster the development and production of bioenergy (commercial fuel grade ethanol and biodiesel) through the Bioenergy Program. This program encourages the production of renewable energy and lessens U.S. dependence on international oil. At the same time, it supports market prices for commodities used in bioenergy production, which assists farmers, ranchers and small rural communities. Commodity Credit Corporation (CCC) Charter Act authority also is used by the Bioenergy Program to make payments on biodiesel production that is not supported under the FSRIA authority. This support has been critical in sustaining the developing biodiesel industry. The programs and authorized funding, along with funding from the CCC to support certain programs, enable USDA to strengthen its role in biomass and renewable resources.

FSRIA authorized a program for the preferred procurement of biobased products by Federal agencies. Currently, the rulemaking process necessary to establish this program is underway. The discussion for this objective, as related to biobased products, details the benefits, challenges and progress in implementing the Federal Biobased Products Preferred Procurement Program. The Office of Energy Policy and New Uses (OEPNU) is engaged in implementing the Federal Biobased Products Preferred Procurement Program. The

program is expected to increase the use of biobased products within the Federal Government significantly. This, in turn, will boost the production of biobased products for that market.

FSRIA also is designed to increase public awareness about the benefits of using biobased products. Additionally, the act authorizes loans, loan guarantees and grants to farmers, ranchers and rural small businesses to purchase renewable energy systems, and to make energy efficiency improvements. Farmers across the country are being introduced to a new energy source and given the opportunity to transition into this new venture.

Overview

The Bioenergy Program stimulates industrial consumption of agricultural commodities by promoting their use in bioenergy production. The increased use of these commodities supports demand and prices in the areas around the facilities. The bioenergy plants also have a significant financial impact in the communities where they are located, including creating new and supporting existing jobs.

USDA's programs are designed to:

- Develop alternative markets for agricultural products;
- Stimulate new sources of demand that will benefit farmers by increasing economic activity and job opportunities in rural America;
- Create a portfolio of more environmentally friendly products; and
- Enhance the energy security of the U.S. by reducing dependence on imported energy.

The Federal Biobased Products Preferred Procurement Program will increase the demand for processing facilities in rural areas. It also will boost the demand for biomass material from agricultural, marine and forest sources. Currently, USDA is working to make the program fully functional. Once this is complete, the aforementioned benefits will be realized.

Selected Results in Research, Extension and Statistics

Feather Fiber Technology—Turning agricultural waste products into assets is crucial to increasing farm income. USDA scientists developed a process that converts chicken feathers into industrial fiber. The researchers found that feathers can be added to plastic used in car parts, such as dashboards, to strengthen them while reducing their weight. They also discovered that feather fiber could be combined with wood pulp to make filter and decorative paper as well as other products. Processed chicken feather fiber, because of its super-fine size and shape, may be used in filtration for trapping minute airborne particles. The feather-fiber technology has been patented and licensed.

Biotech Supports Biomass-to-Ethanol—Breakthrough biotechnology developed by a University of Florida scientist, with USDA support, helps produce 20 million gallons of ethanol fuel annually at the world's first commercial biomass-to-ethanol plant. This discovery creates an alternative to petroleum-based fuels and enhances demand for agricultural products. The plant's technology and operating system is based upon genetically engineered bacteria. The university's bioconversion technology is the world's first genetically engineered *E. coli* 0157:H7 bacteria capable of converting all sugar types found in plant cell walls into fuel ethanol for automobiles. By cloning the unique genes needed to direct the digestion of sugars into ethanol, genes were inserted into a variety of bacteria with the ability to use all sugars found in plant material. The ethanol genes redirected the digestive processes in the bacteria to produce ethanol at 90-to-95-percent efficiency.

Lubricants From Soybeans 90 to 95—New industrial applications for soybeans present a unique niche market for producers. USDA's Ag-Based Industrial Lubricants Program has proven that soy-based industrial fluids and grease products offer specific performance features. These features include better lubricity and adherence to metal, unique energy efficiency and improved environmental advantages derived from being biodegradable. Confirmation of these advantages over petroleum-based counterparts have led Norfolk Southern

railroad to use a soy-based rail curve grease exclusively to meet the demanding requirements of freight railroads with an environmentally friendly, cost-effective product.

New Paints and Coating Provide Markets for Soybeans—Soy-based substitutes for polymers used in paints and protective coatings are expanding the markets for agricultural materials and stimulating new business opportunities. Emissions of volatile organic compounds from polymer-based paints cause significant environmental and health problems. University of Southern Mississippi researchers, with financial support from USDA, have developed an indoor latex paint made with a castor oil-based additive substitute for the polymer solvent. The resulting product contains neither an odor nor toxic emissions. Additionally, the paint demonstrated superior quality when used in the renovation of the Pentagon. The same unique chemistry is being used for the permanent-press treatment of military uniforms.

Serving the Public

Through the Bioenergy Program, producers receive payments to offset part of their cost of buying commodities used to expand eligible bioenergy (commercial fuel grade ethanol and biodiesel) production. Increased bioenergy production helps strengthen the income of soybean, corn and other producers, and lessens U.S. dependence on traditional energy sources. It also supports rural communities through the jobs created and maintained by the production facilities.

USDA's Federal Biobased Products Preferred Procurement Program serves the agricultural sector, rural communities and their residents, and the broader U.S. economy. Farmers and ranchers benefit from increased demand for their products and new crops used as feedstocks in biobased-product production. Rural communities and their residents benefit from the new investment in handling and processing facilities used in the production of these commodities. New jobs in rural communities related to biobased handling and processing create new economic vigor and bring opportunities to the families living there.

Challenges for the Future

The challenges to future success are:

- The development of an infrastructure to support the efficient and economically viable development of biobased products;
- Informing rural America about the benefits of biodiesel fuel use and helping farmers transition to a new style of operating;
- The continued need for public policies supporting the development and use of biobased products;
- The need for public education about the environmental, performance and energy-security benefits of using biobased products, and more effectively managing the carbon cycle;
- The development and valuation of measures that identify and assess the benefits that flow from increased use of biobased products, including benefits internal to the seller and user of the products and external benefits that affect society and the environment;
- The willingness of manufacturers and vendors of biobased products, working with USDA, to provide material and data necessary for testing and evaluation of biobased content, environmental attributes and life-cycle costs that will be required for the Department to designate generic groupings of products for preferred procurement within the program; and
- The willingness of manufacturers and vendors of biobased products that have been designated by rulemaking for preferred procurement within the program to cooperate with USDA in publicizing their availability. This can be done by their voluntarily posting their product and contact information on the program Web site at www.biobased.oce.usda.gov. This will allow Federal agencies to find biobased products for procurement. Without that cooperation, it will be difficult for the agencies to learn of the availability of biobased products.

In response to these challenges, USDA is creating regulations and operating procedures under which the Bioenergy and the Federal Biobased Products Preferred Procurement Programs will operate. The Department

also is developing a model procurement program for Federal agencies to help them meet their responsibilities within the program's parameters. This model will educate and train Federal agencies about procurement and how to use related informational resources. It also will allow manufacturers and vendors to identify and evaluate biobased products available in the marketplace for their use. The Department's Office of Procurement and Property Management will announce the model procurement program once USDA agencies have implemented the model. If successful, this model procurement program will make an important contribution toward creating market-based opportunities to produce and consume increased amounts of biobased products.

KEY OUTCOME: INCREASE SUPPLY OF DOMESTICALLY PRODUCED RENEWABLE FUELS

Through USDA's Bioenergy Program, producers receive payments to offset part of their cost of buying commodities used to expand eligible bioenergy (commercial fuel grade ethanol and biodiesel) production. The program stimulates industrial consumption of agricultural commodities by promoting their use in bioenergy production. This is a significant element of the U.S. Government's energy development policy, which calls for increased production from renewable energy sources. Increased bioenergy production helps strengthen the income of soybean, corn and other producers. It also lessens U.S. dependence on traditional energy sources. Payments are based on bioenergy production increases from eligible commodities compared with the year earlier period. USDA provided additional support to the developing biodiesel industry by making payments on base level biodiesel production. For FY 2004, the payment rate on base level production was equal to 30 percent of the payment rate on the increased production.

Exhibit 13: Expanding Bioenergy Production

Annual Performance Goals and Indicators	Fiscal Year 2004		
	Target	Actual	Result
1.3.1 Increase in bioenergy production (Mil Gal)			Exceeded
▪ biodiesel	4	9.2	
▪ ethanol	200	442.4	

FY 2004 results as of July 23, 2004.

Analysis of Results

The performance goal was exceeded significantly. The ethanol industry is experiencing a dramatic increase in demand. Biodiesel production increased 8.7 million gallons, exceeding the target by 4.7 million gallons. Ethanol production surpassed the 200 million-gallon target by 221.5 million gallons. These results indicate an important rise in the supply of domestically produced renewable fuels and expanded consumption of agricultural commodities (feed stocks) used in production.

Performance targets were developed with industry and OMB input with the goal of moving the U.S. to more energy independence, supporting the ethanol industry and helping the establishment of the biodiesel industry. Baseline should equal total biodiesel production of 6.4 million gallons and total ethanol of 141.3 million in 2001.

Exhibit 14: Bioenergy Production Levels

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Increase in bioenergy production (Mil Gal)					
▪ biodiesel	N/A	6.4 Baseline	8.9	12.6	9.2*
▪ ethanol	N/A	141.3 Baseline	219.3	615.9	442.4*

*Third quarter actual numbers.

A significant future challenge to the effectiveness of bioenergy programs is that large production increases combined with historic high prices for associated feed stocks used in production, as experienced in FY 2004, results in significant program payment prorations (reductions). Recent market forecasts project decreased prices for certain commodities. The FY 2005 sign-up completed in August suggests that the ethanol industry may have another record growth year ahead with more than 1 billion gallons under the program. Biodiesel producers also predicted record increases in production. Payments to biodiesel producers help make the product competitive with traditional diesel.

Due to high production levels and feedstock prices, payments were reduced 37 percent for the second quarter and 46 percent for the third quarter so that program expenditures would not exceed the amount of available funding. These reductions occurred with full funding ($150 million) in FY 2004. Fourth quarter payments, which will be issued in December, are expected to be reduced 50 percent or more. The proposed funding reduction to $100 million for FY 2005 will further reduce payments.

KEY OUTCOME: INCREASE THE PURCHASE OF BIOBASED PRODUCTS BY FEDERAL AGENCIES, RESULTING IN INCREASED DEMAND FOR FARM COMMODITIES AND INCREASED INVESTMENT IN PROCESSING AND MANUFACTURING ACTIVITY BASED IN RURAL AMERICA

A final rule establishing the program's operation is expected to be published in the *Federal Register* by the end of 2004. The first of a continuing series of rules to designate generic groupings of biobased products for preferred procurement is expected to be available as a proposed rule for public comment by the end of calendar year 2004. Rulemaking to designate generic groupings of biobased products for preferred procurement will continue for a number of years as rapidly as the statutory data requirements to support designation can be developed. A proposed rule to establish a voluntary labeling program for biobased products is expected to be available for public comment by the end of the calendar year 2004, with a final rule in place by mid-calendar year 2005.

This program will help the U.S. economy move toward increased leadership in biobased-products technology. This will create profitable and environmentally friendly markets for these products, which will benefit the rural communities that produce them.

USDA received $1 million in funding for testing biobased products. That funding has enabled the Office of Energy Policy and New Users (OEPNU) to develop a Web-based information system for the Federal Biobased Products Preferred Procurement Program. USDA's Office of Procurement and Property Management currently is developing a model procurement and training program for agencies within the Department. That program will be extended to all Federal agencies later. One of the objectives of that program will be to create a system for measuring Federal agency purchases of biobased products. No such system currently is available. OEPNU also has launched a testing program to gather the necessary data on products within selected generic groupings of biobased products. This is designed to satisfy the information requirement the statute poses for the designation of these groupings for preferred procurement. The Web-based information system accomplishes three objectives. First, it is a primary source of information to manufacturers and vendors of biobased products and to Federal agencies, about the Federal Biobased Products Preferred Procurement Program. (A program under which Federal agencies are required to purchase biobased products that fall within generic groupings of biobased products that have been designed for preferred procurement). Second, this Web-based information system has directions on how manufacturers can work with USDA to qualify generic groupings of biobased products for preferred procurement. Third, the Web-based information system will be a primary source of information about biobased products available to be procured by Federal agencies. This information will be posted voluntarily on the site by manufacturers and vendors of the biobased products.

Exhibit 15: Increase the Use of Biobased Products

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
1.3.2	Number of generic groupings of biobased products designated for preferred procurement by Federal agencies	2	0	Unmet

Analysis of Results

The performance goal was unmet because a final rule had not been published. The final rule implementing the Federal Biobased Products Preferred Procurement Program is currently under review within the Administration. USDA expects to have published the final rule establishing the *Federal Biobased Products Preferred Procurement Program* in the Federal Register by the end of calendar year 2004.

The statute creating this preferred procurement program specifies that "items" will be designated for preferred procurement under this program through a process of regulatory rulemaking. "Items" are generic groupings of biobased products. For example, such a generic grouping could be "biobased hydraulic fluids for mobile use" which would include all biobased products in the market intended for that use. Another example could be "janitorial cleaners" which would include all biobased products used in janitorial cleaning applications. "Items," or generic groupings of biobased products, are made up of individual branded products that fit within the definition of the generic groupings. Such a grouping can include several dozens of individual branded products.

USDA has identified more than 80 generic groupings of biobased products for potential designation. The items in the FY 2004 target that the Department designated for rulemaking were selected based on the availability of test data and other information. That availability was based upon the level of cooperation from manufacturers and vendors of products that fell within these items. The manufacturers and vendors provided test material and other product information to USDA to support its designation rulemaking.

Manufacturer and vendor cooperation is crucial in developing the information required to support designation. Once items are designated and Federal agencies begin to purchase biobased products that fall within the designated generic groupings, USDA anticipates that manufacturers and vendors will become increasingly interested in cooperating with USDA to develop the information necessary for designation of additional groupings. As more groupings are designated and the benefits of preferred procurement demonstrated, USDA expects Federal agencies to increase their purchases of biobased products substantially. The Department also anticipates even stronger cooperation from manufacturers and vendors as they see this program's value.

Since FY 2004 is the first year for the program's operation, USDA will use performance information from both this year and FY 2005 in determining a baseline for it.

Exhibit 16: Biobased Products Performance

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Number of generic groupings of biobased products designated for preferred procurement by Federal agencies	N/A	N/A	Authorized in FSRIA	Developmental stage	0

USDA has made substantial progress in establishing the regulatory framework necessary for operating the preferred procurement program. It also has created the necessary electronic information system to provide a timely and efficient communication mechanism. Federal agencies can use the system to learn which biobased products are available. It also will provide them with information on qualifying for preferred procurement and contacting the manufacturers and vendors of those products. Manufacturers and vendors of biobased products that fall within "items," or generic groupings of biobased products, designated for preferred procurement by regulatory rulemaking will be invited to post product and contact information on those biobased products on the Web-based electronic information system developed by the Office of Energy Policy and New Uses (OEPNU).

That Web-based information system will be the primary source of information on the identity and availability of biobased products for Federal agencies required to purchase such products. Moreover, it is expected that this Web site also will be used by the general consuming public to gather information on the availability and identity of biobased products, thus facilitating broader use of such products.

In FY 2005, manufacturers and vendors will begin to reap the benefits of the program as measured in increased sales of biobased products to Federal agencies. Voluntary cooperation by manufacturers and vendors with OEPNU in gathering the information needed to designate generic groupings of biobased products by rulemaking and providing information on those products to USDA's electronic information system remain major challenges that will determine how quickly the program grows.

USDA is undertaking a substantial outreach effort to manufacturers and vendors of biobased products to help them assess the benefits of the program and develop the needed cooperation. The Department has entered into a cooperative agreement with Iowa State University to identify biobased products, manufacturers and vendors. The agreement also seeks their cooperation in developing data and other product information needed for the designation of groupings by rulemaking. In turn, Iowa State has developed cooperative relationships with the Biobased Manufacturers Association, the United Soybean Board, the National Corn Growers, the National Biodiesel Board, the Renewable Fuels Association and USDA's Forest Products Laboratory. These relationships are designed to identify biobased products and manufacturers and vendors of those products, and enlist their cooperation in obtaining information necessary to designate biobased products by rulemaking. USDA also is increasing its efforts to test selected biobased products within generic groupings to speed the collection of a database needed to support designation by rulemaking of these products.

Description of Actions and Schedules

The clearance process for the final rule establishing guidelines for the Federal Biobased Products Preferred Procurement Program extended far longer than expected. The same problem existed for the proposed rule to designate items for preferred procurement. Both rules are expected to be ready for publishing in the *Federal Register* by the end of the 2004 calendar year.

OBJECTIVE 1.4: PROVIDE RISK MANAGEMENT AND FINANCIAL TOOLS TO FARMERS AND RANCHERS

Exhibit 17: Resources Dedicated to Providing Risk Management and Financial Tools to Farmers and Ranchers

	FY 2004	
USDA Resources Dedicated to Objective 1.4	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$30,221.8	77%
Staff Years	14,888	59%

Introduction

Agricultural producers face severe economic losses annually due to unavoidable causes such as low prices and/or reduced yield due to drought, excessive moisture, hail, wind, hurricane, tornado and insects. The agricultural production sector is characterized by small profit margins and ever changing cycles of good and bad production years. USDA provides and supports cost-effective means of managing risk for agricultural producers. This assistance is designed to improve the economic stability of agriculture by developing a variety of risk management tools and continuing to assess producers' needs. These tools range from yield-based insurance products that protect individual crops against loss of field and/or price reduction to whole farm products which protect the producer's entire farming operation against loss. Providing risk management tools to farmers and ranchers assists them in protecting their livelihood in times of disasters or other uncontrollable conditions. The value of risk protection denotes the amount of insurance in force protecting and stabilizing the

agricultural economy. It also illustrates the acceptance of these products by producers and indicates a broadening of economic stability across the agricultural spectrum.

The economic stability of farms and ranches is critical for protecting the Nation's agricultural industry. USDA programs support the financial viability of the Nation's farmers and ranchers by providing a financial "safety net" that helps ensure productive and viable farms and ranches. USDA's loan assistance and income support and disaster assistance programs work to ensure that food producers receive the financial assistance and support necessary to maintain and grow.

USDA strives to improve its program delivery structure by ensuring fair and equitable services to all of its customers. This includes all beginning, socially disadvantaged and limited-resource farmers. Departmental activities aimed at preventing civil rights program complaints will minimize associated risk, ensure equal access to financial tools and enhance economic opportunities.

Overview

The USDA Federal Crop Insurance Program provides an actuarially sound risk management program to reduce agricultural producers' economic losses due to unavoidable causes. Recently, USDA has seen dramatic growth in this program. It now insures an additional 20.5 million acres more than in 1999, and 45 percent or 119.5 million acres more than it did 10 years ago. Federal crop insurance is available to producers solely through private insurance companies that market and provide full service on the insurance policies upon which these companies share the risk. Principally, the Standard Reinsurance Agreement (SRA) defines the amount of risk-they share. Under this agreement, insurance providers agree to deliver risk management insurance products to eligible entities under certain terms and conditions. Providers are responsible for all aspects of customer service and guarantee payment of premium to the Federal Crop Insurance Corporation (FCIC). In return, FCIC reinsures the policies and provides reimbursement for administrative and operating expenses associated with delivering the insurance products. In 2004, USDA updated the SRA. Each insurance company intending to write new business for the 2005 reinsurance year is required to submit a signed copy in order to participate in the Federal Crop Insurance Program. During 2004, the number of participating companies increased by 1 to bring the total to 15. USDA continues to receive inquiries from additional insurance companies interested in joining the program. Additional companies are in various stages of applying. For FY 2004, the value of risk protection provided to agriculture producers through FCIC-sponsored insurance reached $46.7 billion.

Producers have access to a number of USDA farm income support programs that bring much needed economic stability to the agricultural sector. Assistance is provided through direct payments, which are based on historical planting and yields. These payments are not tied to the production of specific crops and counter-cyclical income support payments based on market prices in relation to target prices. Marketing assistance loans provide producers interim financing at harvest time. These loans help producers meet their cash flow needs without having to sell their commodities at harvest time when prices are low. With adequate financing, producers store their production at harvest. These loans facilitate orderly marketing of commodities throughout the year. In FY 2004, USDA issued approximately 430,000 marketing assistance loans valued at more than $9 billion.

Additionally, to ensure the effectiveness of its credit programs, it is important to provide timely financial resources and other assistance to borrowers when a need arises. Therefore, USDA plans to continue to reduce processing times for loan requests each year. The Department also will continue to monitor closely the delinquency and loss rates of the direct loan portfolio. Borrower ability to pay installment debt on time is a strong indicator of financial strength and viability. Reduced losses in the program indicate that borrowers are experiencing greater success in meeting their financial obligations.

Selected Results in Research, Extension and Statistics

Farm Bill Technical Assistance—The counter-cyclical payment introduced in FSRIA is calculated in part by Marketing Year Average prices estimated by USDA. The large magnitude of payments potentially affected by the accuracy of these averages led to a self initiated review of the Prices Received by Farmers Survey, which reports average prices of all commodities sold. All procedures and documentation have been reviewed and updated as appropriate, increasing data quality and ensuring consistent data collection activities by States.

Real-Time Pricing and Market Simulation—Keeping a competitive edge in the cattle fed industry requires understanding such complex concepts as price discovery, market dynamics, breakeven analysis, derived demand and industry structure conduct performance. Oklahoma State University, with funding support from USDA, developed a Fed Cattle Market Simulator, a computerized simulator for adult groups of 24 to 48 people. In workshops, two or more agricultural economists lead the program simulator and fielded questions that emerge from the simulators multiple teachable moments. The workshops become simulations of the daily trials of cattle feeders and beef packers interacting with each other as they buy and sell. The program since has expanded to Colorado, Florida, Iowa, Kansas, Kentucky, Michigan, Tennessee, Texas and Utah.

Assessment of Agricultural Policy—USDA led the development of analytical studies that responded to requests for information on the FSRIA. For example, the USDA report, "Economic Effects of U.S. Dairy Policy and Alternative Approaches to Milk Pricing," provides a comprehensive assessment of the effects of current U.S. dairy programs. This assessment considers the ongoing structural change in consumer demand, farm structure and the processing industry. Other reports on specific commodities where FSRIA changed programs include *Policy Change and Adjustment in the U.S. Peanut Sector and Trends in the U.S. Sheep Industry.*

Farm Households and the Rural Economy—"Farm Policy, Farm Households, and the Rural Economy," which can be accessed electronically at http://ers.usda.gov/Briefing/Adjustment, discusses the links between agricultural policy, the diverse set of U.S. agricultural producers and the rural communities in which they live. The findings show the broad effects of policies and explore alternative types of policies and the adjustments associated with various scenarios.

Improved Access to Market Outlook and Analysis—USDA initiatives have increased the accessibility, timeliness and breadth of the data and analysis of agricultural markets. The Department launched a Web page that offers the latest outlook information, data and links through a central location. Additionally, USDA's agricultural baseline projections now are more readily available through the release of components as they are completed. For more information, visit http://ers.usda.gov.

Serving the Public

Agricultural production is an inherently risky enterprise. Producers are exposed to both production and price risks daily. They can benefit from the crop insurance to protect themselves against these economic risks. Over the years, USDA has played an active role in helping producers ease the effects of these risks on farm income. The Department promotes the use of crop insurance and other risk management tools. Federal crop insurance offers producers various types of coverage and other tools to protect against crop and revenue loss.

USDA also offers direct and guaranteed farm ownership and operating loans to family-sized farmers and ranchers who cannot obtain commercial credit from a bank, farm credit system institution or other lender. Department loans can be used to purchase land, livestock, equipment, feed, seed and supplies. The loans also can be used to construct buildings or make farm improvements. These loans are particularly important to beginning, minority and women farmers whose limited cash flow may preclude them from qualifying for a commercial loan.

USDA's commodity programs continue to be a testament to the country's commitment to maintaining a balanced food and fiber industry for its consumers. The assistance made available under these programs helps stabilize American farming and ranching operations. This assistance enables farmers and ranchers to reduce their risk of financial loss due to inclement weather or unfavorable global market conditions.

Direct and counter cyclical payments reduce financial risks and help producers meet their cash flow needs. Marketing-assistance loans provide producers interim financing at harvest time to meet cash flow needs without having to sell their commodities when market prices are at harvest time lows. Enabling producers to store production at harvest facilitates more effective commodity marketing throughout the year.

USDA is working continuously to ensure the public knows about all of its programs and services. The efficient processing of civil rights program complaints will decrease lawsuits, reduce civil rights complaints, decrease delays and lower costs to the Department. These reductions will assist in achieving the goal of ensuring that USDA provides fair and equitable services and benefits to all of its customers.

Challenges for the Future

Today, approximately 78.5 percent of the acreage planted in major crops is at least minimally insured. Coverage is expanded by providing existing crop insurance programs into new counties and States. It also occurs by developing new types of coverage, such as for livestock pasture, forage, rangeland and revenue protection. These programs, along with diversified production, marketing and the use of futures and options, allow each producer to customize his or her risk management strategy. These products can help producers protect themselves from yield and/or market risks. To meet producer needs, USDA continues to seek out actuarially sound innovative risk management solutions for providing coverage suited for a diverse agriculture. For example, in 2004, USDA awarded four contracts to develop new and very innovative risk management solutions for insuring pasture, rangeland, forage and hay. They include developing a new plan for pasture, rangeland and dryland hay using a dual index consisting of such tools as a satellite-based vegetative index and a proxy crop, and a Temperature Constrained Normalized Difference Vegetation Index. This index uses data derived from satellite-based remote sensing imagery that will describe the seasonal growth dynamics of vegetation for target areas. Other tools include a Seasonal Growth Constrained Rainfall Index, which uses a weighted warm season/cool season indexing period and the National Oceanic and Atmospheric Administration rainfall data system; and a Precipitation Index using a rainfall index based on a weighted average amount of precipitation during a particular time period.

USDA's challenge is to continue expanding and improving coverage, particularly for the underserved States, communities and commodities. To do this, the Department needs to address the information technology cost increase associated with maintaining and upgrading existing product data needs. This technology also services new or revised products. It has become increasingly more difficult to bring new products online with the existing information systems. USDA is researching how to deliver more products suited for a diverse agriculture. USDA will continue to evaluate risk management delivery of products, review and approve private sector insurance products to be reinsured by FCIC, and ensure the effective delivery of products to agricultural producers. To further contribute to the producers' ability to protect their financial stability, USDA will continue to provide education, outreach and non-insurance risk management assistance initiatives and tools through partnerships.

USDA consistently reviews its farm loan program activities to assess the effectiveness and impact of its programs. Ensuring an efficient delivery of services is affected by the availability of funds for financial assistance and the local and national economies. It also depends on training, human capital planning and organizational efficiencies. Farm loan program challenges include ensuring a highly trained staff, assisting farmers during economic distress and natural disasters, and offering credit to eligible buyers unable to obtain it from other sources.

One challenge is a lack of customer focus at the service delivery point. USDA will improve technical assistance and education, and provide workshops for farmers, farming-related associations and civil rights organizations with an interest in farming and agriculture. These targeted, multi-agency efforts will provide greater awareness of USDA program availability and inform its customers of participation requirements.

Management Challenge

Agencies' coordination of program delivery and control is a management challenge for the Department. (Appendix A contains the Office of the Inspector General's report on USDA's major management challenges.) In response to this challenge, USDA agencies are working together to identify and review potential program integrity issues. This includes conducting producer spot-checks, referring potential issues to county offices, and consulting with State committees on program matters. The Department is progressing with the eGovernment initiative for USDA agencies and insurance providers to share and report on common information that producers must provide. The system is scheduled for completion in FY 2006. The Department also is piloting an agency software project. The software can draw on a variety of databases and information sources to present progress and financial information graphically in an integrated display. This display is designed to provide real-time information for managers to use in decision making.

An electronic Loan Deficiency Payments (e-LDP) system was deployed nationwide in September 2004 allowing producers and other entities to apply for LDPs from their home or work computer. Because it is a Web-based application, county USDA offices also will be able to enter requests they receive through the system. Within 24 to 48 hours after an application is submitted electronically, and if all requirements are met, the funds will be disbursed electronically to the proper bank account. This process should alleviate the long lines and extended waits producers experience during times of heavy LDP activity.

KEY OUTCOME: INCREASED VALUE OF RISK PROTECTION PROVIDED TO AGRICULTURAL PRODUCERS THROUGH FCIC SPONSORED INSURANCE

FCIC improves economic stability by ensuring that new and innovative risk management alternatives are available. The increased value of risk protection provided to agricultural producers through FCIC-sponsored insurance illustrates the acceptance of these products by producers and the broadening of economic stability across the agricultural spectrum.

FCIC is a wholly owned Government corporation created in 1936, to provide for nationwide expansion of a comprehensive crop insurance program. This program consists of many public and private risk management alternatives designed to improve the economic stability of agriculture. The long-term agricultural producers' ability to supply U.S. and global food-related markets depends on their ability to manage financial and natural risks associated with production. FCIC promotes the availability of a sound system of crop insurance for American agricultural producers. FCIC sponsored insurance provides assistance in managing this risk. Private sector insurance companies sell and service these policies. FCIC develops and/or approves the premium rates, administers premium and expense subsidies, approves and supports products, and reinsures the companies. Contracts or partnerships are used for research and development of new and innovative insurance products. It also provides the means for the research and experience helpful in devising and establishing such a system. Private entities also may submit unsolicited proposals for insurance products to the FCIC for approval. During 2004:

- The FCIC Board of Directors approved a pilot program to provide crop insurance coverage for sorghum silage. Sorghum is a grain used to feed livestock. Grain sorghum varieties grown for harvest as silage in 2 counties in Colorado and 37 in Kansas will be eligible for coverage under the new pilot program beginning in the 2005 crop year;
- USDA County Crop Programs rose by 3,774 over the previous year for a total of 43,433. Fifty-three percent of this increase was in the expansion of livestock programs;
- USDA requested proposals to develop new or revised methods for mitigating declines in an insured's approved yield following successive years of low yield. The evaluation of these contract proposals is expected to occur later this year;
- Sales of the Livestock Risk Protection (LRP) and Livestock Gross Margin (LGM) insurance policies resumed September 30, 2004. LRP is designed to insure against declining market prices available for swine, feeder cattle, and fed cattle in selected States. Producers may select from a variety of coverage levels and periods of insurance. Sales of LRP feeder cattle and fed cattle were suspended in December when *Bovine Spongiform Encephalopathy* was detected within the U.S. USDA made several modifications to the LRP program to include six new States, and to allow the availability of all 3 LRP products in the 13 existing pilot States;
- USDA issued provisions to convert the pecan revenue and the blueberry pilot crop insurance programs to permanent insurance programs for the 2005 and succeeding crop years. USDA also amended the apple crop insurance provisions to better meet the needs of the insured;
- USDA sponsored educational and outreach programs and seminars on risk management. There were 99 agreements utilizing approximately $14.1 million to expand the amount of risk management information available. The FCIC also promoted risk management education opportunities, informed agribusiness leaders of increased emphasis on risk management, delivered training to producers,

emphasizing small farm, limited-resource and other traditionally underserved producers, and reached producers of speciality crops; and

- In response to the catastrophic damage to crops in Florida due to hurricanes, USDA authorized emergency loss procedures that streamline certain loss determinations and assisted the adjustment of losses and issuance of indemnity payments to crop insurance policyholders in the affected areas.

USDA continues to assess producers' needs and private risk management tools to ensure that new and innovative alternatives are available.

Exhibit 18: Expand Use of Risk Management Tools

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
1.4.1	Increase the value of risk protection provided to agriculture producers through FCIC sponsored insurance ($ Bil)	$42.7	$46.7	Exceeded

Analysis of Results

USDA exceeded its target by $4 billion. During FY 2004, the economic risk of American agricultural producers was reduced by approximately $46.7 billion through Federal crop insurance coverage. This is approximately $6 billion more than in 2003. The performance measure illustrates the dollar value of FCIC insurance in force within the agricultural economy. Since FY 1999, the value has increased by approximately $11 billion. While there are a number of factors that influence these numbers, including increases in market values and inflation, it still represents a major growth in the amount of the agricultural economy insured via the FCIC-sponsored insurance. For example, the program now insures approximately 1.7 million acres more than it did in FY 2003.

In the *FY 2003 Performance and Accountability Report*, this measure was deferred. However, the FY 2003 target of $40.6 billion was found to be met for FY 2003 when the actual results were reported in Spring 2004.

Exhibit 19: Providing Risk Management and Financial Tools to Farmers and Ranchers

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Increase the value of risk protection provided to agriculture producers through FCIC sponsored insurance. ($ Bil) Baseline: 1999 = $30.9	$34.5	$36.7	$37.3	$40.6	$46.7

USDA has enhanced the value of risk protection significantly through FCIC-sponsored insurance since FY 2000. The Department continues to work closely with insurance providers that market and provide full service on crop insurance policies. It also researches and develops new products that address the needs of producers. Additionally, USDA has partnered with State Departments of Agriculture, universities and farm organizations to deliver regionalized risk management education programs for producers in the historically underserved States and specialty crop producers. Due to these efforts, the Federal Crop Insurance Program should continue to provide actuarially sound risk management solutions to strengthen and preserve the economic stability of American agricultural producers.

Management Challenge

Ensuring the integrity of Federal crop insurance programs, improved quality control systems and information technology processing is a management challenge for USDA. (Appendix A contains the Office of the Inspector General's report on USDA's major management challenges.) In response to this challenge, USDA has issued Appendix IV, Quality Standards and Controls, of the 2005 Standard Reinsurance Agreement outlining the quality control guidelines that insurance providers are required to follow. Some of the requirements include:

- Providing a plan outlining the company's quality control program;

- Reviewing claims in excess of $100,000 and reporting the results to the FCIC;
- Reviewing anomalies identified by FCIC (data mining) that suggest abnormal or unusual underwriting or loss performance (not to exceed 3 percent of indemnified eligible crop insurance contracts for the crop year); and
- Immediately notifying FCIC of any potential claim likely to exceed $500,000.

Additionally, RMA's compliance operation reviews insurance provider adherence to the Standard Reinsurance Agreement requirements.

KEY OUTCOME: IMPROVE ECONOMIC VIABILITY OF BEGINNING AND SOCIALLY DISADVANTAGED FARMERS AND RANCHERS

While the future of farming in America depends on the continued entry by new operators and owners, the agricultural census reveals that there are fewer young farmers today than in the past, and that the number of new entrants into farming has fallen over time. To help offset this trend and encourage new entrants to farming, USDA targets a portion of its lending each year to beginning farmers. Beginning farmers are defined as those who have not operated a farm or ranch for more than 10 years, and who participate substantially in the operation of a farm or ranch. USDA credit assistance is particularly vital to beginning farmers as they tend to have smaller operations and lower equity levels. This limits their ability to obtain commercial credit.

Similarly, USDA also targets its lending to socially disadvantaged farmers. Socially disadvantaged farmers are members of a group who have been subjected to racial, ethnic, or gender prejudice because of their identity as a member of that group without regard to individual qualities. Women also are considered a socially disadvantaged group. Socially disadvantaged farmers are more likely to have smaller farming operations lower average incomes and a limited asset base. As a result, they are less likely than other farmers to qualify for credit from commercial sources.

Farm loan programs provide support to family farmers and ranchers who otherwise would be unable to contribute to the agricultural sector. Assistance is offered through the Direct Loan Program and the Guaranteed Loan Program. Through the Direct Loan Program, USDA makes and services farm operating and farm ownership loans, and provides customers credit counseling and loan supervision so they have a better chance of success in their farming operations. The Guaranteed Loan Program provides agricultural lenders with up to a 95-percent guarantee of the principal loan amount for farm operating and farm ownership loans. The lender is responsible for servicing a borrower's account for the life of the loan. All loans must meet certain qualifying criteria to be eligible for guarantees. USDA has the right and responsibility to monitor the lender's servicing activities.

Exhibit 20: Providing Credit Assistance

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
1.4.2	Increase the percent of loans to beginning and socially disadvantaged farmers/ranchers[1]	35%	40%	Exceeded

[1]Includes Direct and Guaranteed Farm Operating and Farm Ownership loans.

Analysis of Results

USDA exceeded its goal of providing increased assistance to beginning and socially disadvantaged farmers. In FY 2004, 40 percent of all direct and guaranteed farm loans were provided to these groups. This represents a nearly 18 percent increase from FY 2003 and a 48 percent increase from the FY 2000 baseline. In all, 12,063 farm loans totaling $1.2 billion were issued. Loan proceeds are used to acquire, enlarge or improve a farm (farm ownership loans) or provide short- to intermediate-term production or chattel financing (farm operating loans). As the following table indicates, the long-term trend of providing increased credit assistance to beginning and socially disadvantaged farmers and ranchers has continued.

The improved efficiency is attributed to the comprehensive streamlining of the Guaranteed Loan Program, which was completed in 2001. This effort essentially reinvented the guaranteed loan program. In addition to the streamlining effort, USDA created a Preferred Lender Program that continues to yield positive results. The program was established to reward experienced agricultural lenders by streamlining and adding flexibility to the loan application and servicing requirements. It also expedites loan approval and other USDA decisions and allows lenders to originate and service guaranteed loans the way they do other loans in their portfolio.

USDA also is implementing a Web-based farm planning software application, Farm Business Plan, which will be used to develop farmers' business plans and manage their loan portfolio. This is a significant undertaking, changing the way USDA has operated for more than 50 years. The Farm Business Plan will provide much improved borrower information, allowing the Department to improve the measuring of borrowers' financial viability, perform more in-depth portfolio analysis and focus resources on problem areas. Once implemented for the Direct Loan Program, the system will be available to lenders participating in the Guaranteed Loan Program and eventually directly to farmers.

Exhibit 21: Trends in Lending to Beginning and Socially Disadvantaged Farmers/Ranchers

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Increase the percent of loans to beginning and socially disadvantaged farmers/ranchers	27% Baseline	30%	33%	34%	40%

During FY 2004, USDA further strengthened its loan programs designed for beginning and socially disadvantaged farmers. The Department continued its comprehensive streamlining program for the Direct Loan Program regulations, handbooks and information collections. This ongoing streamlining effort has reduced the burden for both applicants and USDA dramatically. It also has contributed to the continued improvement in loan processing efficiencies. Loan processing timeliness continued to improve. The average time to process a direct loan has decreased from 46 days in FY 2000 to 37 days in FY 2004. Likewise, guaranteed loan processing times continued their downward trend, with an average processing time of 14 days—a 30-percent decline from FY 2000.

Implementing these projects allows USDA to focus more resources on providing the technical assistance, services, monitoring and oversight essential to supporting high-risk beginning and socially disadvantaged farmers. USDA helps customers identify problems and develop solutions. This leads to lower loan delinquencies and reduced losses, and assists USDA in accomplishing its objective of improving the economic viability of farmers.

STRATEGIC GOAL 2: SUPPORT INCREASED ECONOMIC OPPORTUNITIES AND IMPROVED QUALITY OF LIFE IN RURAL AMERICA

The United States Department of Agriculture (USDA) focuses on expanding economic opportunities and improving the overall quality of life in rural America. According to the most recent USDA statistics, while rural poverty rates in 2000 and 2001 were some of the lowest on record, they still continued to be higher than that of their urban and suburban counterparts. In 2002, one in five rural children lived in poverty, and a similar proportion resided in households unable to acquire enough food for all its members. Additionally, based on 1999 date, the poverty rate is 16.8 percent in rural areas verses 11.5 in urban areas. Many rural communities lag behind suburban and urban America because of their remoteness, lower educational attainment and specialized economic base.

USDA programs offer these rural communities opportunities for improvement. To expand economic opportunities, the Department provides loans, grants and infrastructure to rural entrepreneurs. To improve the quality of life in rural communities, USDA offers assistance to upgrade the quality and quantity of housing,

water- and waste-disposal facilities, electric facilities, telecommunications infrastructure and community facilities.

In all, USDA programs are designed to make a significant difference in the rural economy and other aspects of the rural quality of life.

OBJECTIVE 2.1: EXPAND ECONOMIC OPPORTUNITIES THROUGH USDA FINANCING OF BUSINESSES

Exhibit 22: Resources Dedicated to Support Expanding Economic Opportunities Through Financing of Businesses

USDA Resources Dedicated to Objective 2.1	FY 2004	
	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$7,374.8	44%
Staff Years	2,595	30%

Introduction

Financing of businesses led to the creation and saving of 81,010 jobs in FY 2004. As a result, economic opportunities for rural communities have expanded.

Overview

USDA focuses on expanding economic opportunities in rural areas, the heartland of American values. Declining economies challenges many rural communities. This is caused by the transition away from traditional economic bases. Key challenges include their distance from input or product markets, poor labor-force skills and rising international competition. The Department makes a variety of investments in rural communities, including:

- Guarantees of bank loans to rural businesses;
- Capitalizing local revolving microloan funds that assist local small and emerging businesses;
- Grants to develop business infrastructure, such as industrial parks and incubators, and feasibility studies;
- Grants for business planning, public transportation and re-training;
- Technical assistance to help communities develop strategic plans for economic development;
- Loans and technical assistance to agricultural cooperatives;
- Grants to develop energy savings and alternative energy sources; and
- Grants to create new enterprises based on value-added products.

Selected Results in Research, Extension and Statistics

Understanding Rural Diversity—The economies, resources, opportunities and challenges of individual rural areas differ. USDA has developed a new county classification, also called a typology, which captures the broad economic and social diversity among rural areas. This typology is used widely by policy analysts and public officials to determine eligibility for and effectiveness of Federal programs to assist rural America. It identifies six discrete economic types of non-metro counties based on the primary economic activity of the county. They include:

- Farming;
- Manufacturing;
- Mining;
- Service;

- Federal/State Government; and
- Other.

The typology also identifies seven county types that distinguish important policy themes. These themes are:

- Persistent poverty;
- Persistent population loss;
- Housing stress;
- Retirement destination;
- Recreation;
- Low education; and
- Low employment.

Small Business Support—Through a variety of education programs, USDA helped minority residents gain the necessary skills to meet employer demands and pursue their own businesses. In Alabama, the Department worked with a local chamber of commerce to offer a Franchise Entrepreneurship Workshop for 200 minority individuals. Ten percent of the participants later started their own businesses. Five others plan to open a franchise. A South Carolina State University Small Business Workshop Series taught 22 small business owners and entrepreneurs different aspects of business planning, marketing, bookkeeping, employee management and technology solutions. Small business owners who attended use their new skills to operate more effectively. Alabama Cooperative Extension launched a Hispanic/Latino Initiative to provide Web-based links to Spanish educational materials to ease the transition into community life for newcomers. Extension established a diversity council to address language and cultural differences and hired a bilingual agent to conduct programs. Twenty-three food service workers with limited English language skills passed a food-safety certification test USDA taught in Spanish. Colorado State University researchers verified that Hispanic workers are meeting seasonal production, harvesting employment demands and contributing to the local economy.

2002 Census of Agriculture—The 2002 Census of Agriculture was released in June 2004. This census provides the only source of detailed, comprehensive agricultural facts for every county in America. For the first time, data for every county and State were adjusted statistically to account for farms missed or misclassified in the census. The 2002 census revealed that:

- 90 percent of farms are operated by an individual or family;
- The value per farm averaged $537,833, up 24 percent from 1997; and
- Direct sales to consumers increased 37 percent from 1997.

Serving the Public

USDA programs help create and save jobs in rural America. USDA manages several programs designed to support businesses in rural communities. For example, the Business and Industry (B&I) Guaranteed Loan Program can help a rural business get needed credit by guaranteeing as much as 90 percent of a business loan made by a commercial lender. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. B&I expands the lending capacity of private lenders in rural communities. Typically local lenders are small banks with limited lending authority under banking laws. The guarantee allows these lenders to make bigger loans and avoid a “concentration of credit” problem. With the guarantee, lenders can make, sell and service quality loans that provide lasting community benefits. Businesses in rural communities tend to buy local goods and services and boost employment. This investment stimulates the economy. The B&I program represents a true private-public partnership in rural communities. USDA also provides loans to establish revolving loan programs to local not-for-profit organizations. These revolving loan programs are capitalized by 1-percent loans from USDA. Revolving loan funds provide financing to help develop small or emerging private business enterprises in rural areas for land acquisition, working capital, building renovation, new construction, new equipment and equipment upgrading. This program helps the beginning entrepreneur and the small business by providing low cost loans, usually coupled with mentoring. For example, such loans might enable the one local taxi service to buy a newer, fuel-

efficient car; let a dentist buy equipment or expand; or give a local craftsman the wherewithal to buy in larger quantity to gain some savings. As these loans are repaid, additional local businesses can borrow. Grants permit local fire departments to purchase improved equipment, communications and training.

Challenges for the Future

Rural economies face different challenges than urban and suburban areas. These challenges include:

- Historic dependence on natural resources, mostly commodities, which are subject to cyclical trends;
- Low profit margins on commodity sales;
- Large-scale changes in technology and the resulting efficiency gains in these industries; and
- Their inaccessibility and low-density populations.

Also, rural areas typically are caught in a cycle of underdevelopment of public services that make it difficult to attract or retain businesses. Education, health care and entertainment are typically only marginally acceptable. Every rural area has its unique concerns.

KEY OUTCOME: ENHANCE CAPITAL FORMATION FOR RURAL COMMUNITIES

Many rural communities are challenged by declining economies due to a combination of factors. These factors include transitioning away from traditional economic bases, efficient and competitive access to input or product markets, outmoded labor force skills, and rising international competition. USDA seeks to address these circumstances by expanding economic opportunities in rural areas through the stimulation of capital investment. The variety of investment strategies used includes guarantees of bank loans to rural businesses, capitalizing local revolving loan funds that assist rural small businesses, grants to develop business-friendly infrastructure, business planning grants and guarantees on bank loans, direct loans and grants to foster energy savings. The resulting enhanced capital formation is linked directly to the USDA Strategic Objective of expanding economic opportunities.

In many rural communities, farm families seek part-time and seasonal work to supplement on-farm income. USDA programs support skill development (marketing, finance) and small financial incentives to lenders who help broaden and stimulate local employment. Job growth and employment in rural communities lag behind that in urban areas. According to 2001 figures, while rural communities account for about 20 percent of the Nation's population, they represent only 18 percent of all jobs in the U.S.

Physical conditions and credit terms in rural areas are inferior to those in metropolitan and urban areas. For example, rural banks are smaller and bank regulations impose more restrictive lending limits (size of loans and concentration of industry) than for larger urban institutions. The availability of the Internet and other Web services is inconsistent in rural areas. Even telephone access is uneven in rural areas. Access to computer servers for business use may be unavailable or cost prohibitive. Phone lines are often too slow to accommodate high-data needs of businesses. This is a distinct disadvantage to business growth. The rare publicly financed rural industrial park is smaller and has fewer amenities than its urban counterparts. While rural areas tend to grow during national economic expansions, sometimes at faster rates than metro areas, many have neither the size nor depth of tax bases to finance the direct amenities and conditions that businesses can demand from metro governments. These amenities include transportation links, necessary sewer and water, adequate fire protection, attractive downtowns, well-regarded school systems, reliable and accessible health care, and publicly financed training of workers.

B&I can guarantee loans for satisfactory credit risks. This program allows lenders to offer competitive terms and make loans of up to $25 million in eligible areas. Up to $40 million may be guaranteed for certain value-added cooperative enterprises. USDA also provides technical assistance and modest grants (frequently as a catalyst for attracting local private funds) for communities to launch the infrastructure necessary for businesses. Funding of small revolving loan funds encourages business growth by helping new borrowers and emerging local entrepreneurs without a credit history or adequate collateral for a commercial lender.

A small Montana consulting firm expanded its staff from 23 to 50 by using an USDA-capitalized revolving loan fund to cover short-term cash needs during its expansion. Relatively new service businesses like this one, with few tangible assets to pledge as collateral, are not offered affordable terms by traditional lenders.

Exhibit 23: Strengthen Rural Businesses

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
2.1.1	Create or save additional jobs through USDA financing of businesses.	73,569	81,010	Exceeded

Analysis of Results

The performance goal was exceeded for the number of jobs computed to be created or saved. The amount of carryover funding had a direct impact on performance. Another factor in variation is that three of the eight business programs awards were made in the third and fourth quarters. These factors had a profound impact on both estimating and establishing jobs saved/created targets. The number of jobs created or saved is related directly to the funding levels for each program and business conditions in regional and national economies. There is an unequal relationship between program dollars provided and jobs resulting. There are six different programs, which count jobs created differently. The B&I guarantee program counts the jobs when the loan is closed. This also is true for some of the grant programs. The major revolving loan fund uses a formula based on a study, as the cost of actually acquiring job information on each loan was determined not to be cost effective. These factors are beyond USDA's control. Additionally, State offices substantially improved their ability to gather, record and report job information on all programs consistently

The 81,010 jobs resulting from USDA's programs for expanding economic opportunities in FY 2004 exceeded the target level. While this number is less than the 2003 number, it is proportionate to funding. The clear controlling factor is funding availability. USDA also used some carryover funds from FY 2003.

In addition to direct jobs created or saved, the economic benefit to the rural community is estimated to be $2.50 for every dollar in guaranteed loans closed, according to U.S. Department of Labor statistics. These investments make a continuing difference in rural communities, though only counted and reported as the jobs computed in the year a loan or grant is obligated. The current state of the economy and the downward trend in interest rates in commercial credit has made it fairly easy for USDA to use all of its loan, grant and loan guarantee authority.

Exhibit 24: Trends in Creating or Saving Jobs

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Create or save additional jobs through USDA financing of businesses	73,502	105,222 Baseline	76,301	88,611	81,010

One challenge USDA faces is that general economic conditions strike harder and longer in rural areas. Bleak poverty areas also require a greater scope and depth of technical support.

The national delinquency rate for USDA business loans represents a myriad of conditions across the country in dispersed rural communities. National and regional economic trends are the primary influence, followed by the local business environment and finally the quality of the agency's loan underwriting. While the agency has no control over macroeconomic factors or the conditions of each rural community, it has begun strengthening loan underwriting through continuous training and implementing an accreditation program. The results have started to appear in the form of decreasing delinquency rates.

OBJECTIVE 2.2: IMPROVE THE QUALITY OF LIFE IN RURAL AMERICA THROUGH USDA FINANCING OF QUALITY HOUSING, MODERN UTILITIES, AND NEEDED COMMUNITY FACILITIES

Exhibit 25: Resources Dedicated to Support Improving the Quality of Life in Rural America Through Financing Housing, Utilities and Community Facilities

USDA Resources Dedicated to Objective 2.2	FY 2004	
	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$9,211.8	56%
Staff Years	6,130	70%

Introduction

USDA successfully improved the quality of life in rural America during FY 2004, by financing quality homes for 48,894 homebuyers, new/improved water and waste disposal facilities for 690,000 subscribers, new/improved electric facilities for 3 million subscribers, broadband telecommunications in 6 counties and improved community facilities for 12 million rural residents.

Overview

Many USDA programs make important contributions toward improving the quality of life in rural America. Of particular significance are programs increasing the quality and availability of housing, modern utilities and community facilities. USDA's utilities programs also contribute to the creation of jobs and strengthening of the rural economy. For example, without adequate electric service, industries will not operate in rural America. Ensuring that rural America can participate fully in economic recovery requires safe, reliable and affordable infrastructure.

A major focus of USDA is improving the availability and affordability of good housing. The Department is doing this through loan and grant programs designed to help families achieve homeownership. Almost 49,000 homeownership opportunities were provided to very low to moderate-income rural families in FY 2004. USDA also provides programs to develop multi-family housing and provide assistance to make homes affordable. Special emphasis is placed on improving home affordability for minorities.

USDA also makes grants and loans to provide facilities that ensure rural communities have access to safe drinking water. These grants also help communities treat wastewater and solid wastes properly.

Additionally, through loans and loan guarantees, USDA provides many rural communities with reliable, affordable electricity. In FY 2004, USDA utilities programs provided 221 loans to distribution, generation and transmission providers worth more than $3.8 billion. This is essential to economic strength and an overall good quality of life in rural communities.

USDA also invests in critically needed infrastructure, such as broadband technology, that provides rural businesses access to emerging competitive opportunities. Today's advanced telecommunications networks allow rural communities to provide businesses with opportunities to compete locally, nationally and globally. These networks also will ensure that rural residents are equipped to compete in an increasingly information-oriented economy.

Finally, the Department provides other grants and loans for use in developing a broad range of community facilities, such as schools, libraries, fire and rescue equipment, and public buildings that enable communities to improve the quality and scope of community services. These services help rural residents achieve a quality of life more comparable to that found in urban and suburban areas.

Selected Results in Research, Extension and Statistics

Measurement, Determinants and Consequences of Poverty—A USDA study examined the effects of major changes in demographic and economic conditions, and Government policy on rural poverty during the 1990s. During this period, welfare reform simultaneously scaled back the traditional social safety net and increased the incentives towards achieving self-sufficiency for the poor. Also during the 1990s, the U.S. and rural economies experienced one of the longest periods of economic expansion and the rural population grew. These factors had important implications for changing rural poverty rates. Throughout the history of recording poverty rates, the incidence of rural poverty has been consistently higher than urban poverty. This analysis supports the theory that poverty-reduction programs and policies need to include components to target non-metro areas. It also shows that different policies may be appropriate for different areas.

Serving the Public

USDA's assistance reaches large numbers of rural Americans with services crucial to achieving a satisfactory quality of life. The Department provides direct and guaranteed loans to help rural citizens achieve homeownership. These loans served 48,894 households in 2004. Minority households accounted for 18 percent of homeowners purchasing homes through USDA.

USDA's rural water and waste programs provided new access to safe drinking water or sanitary wastewater disposal (or improved service) for 690,000 subscribers.

The Department's electric program makes loans and loan guarantees to finance the construction of electric distribution, transmission and generation facilities. This includes system improvements and replacement required to furnish and improve electric service in rural areas. It also includes demand-side management, energy conservation programs and on-grid and off-grid renewable energy systems. Since its beginning, the Electric Program has invested more than $70 billion in the infrastructure of rural America.

USDA makes loans to corporations, territories and subdivisions of Governments. The Department also provides loans to such agencies as municipalities, people's utility districts and cooperative, not-for-profit, limited-dividend, or mutual associations. These organizations provide retail electric-service needs to rural areas and supply the power needs of distribution borrowers. USDA also provides financial assistance to rural communities with extremely high energy costs to acquire, construct, extend, upgrade and otherwise improve energy generation, transmission or distribution facilities. Overall, the Department services nearly 700 cooperatives, utility districts and other institutions, which provide rural electricity in 46 States.

USDA's Broadband Telecommunications Program provides loans and loan guarantees for broadband services in rural communities. These loans facilitate deployment of new and innovative technologies to provide two-way data transmission of at least 200 kilobytes per second in communities with populations up to 20,000. These important investments in rural areas make high-speed data transmission available in low-density, remote areas often ignored by the private sector. Since its inception in 2001, the program has grown quickly, reaching more than twice as many rural counties as in the initial year, or 6 percent of all rural counties in 2003 alone. These investments in critical telecommunications infrastructure are essential to enabling rural businesses and communities keep pace with rapid developments in the rest of America and the world.

USDA's grants and loans to help rural communities obtain essential facilities reached 10.3 million residents in 2004. Taken together, these investments bring important benefits to a large number of rural communities and citizens. They increase the availability of essential services and raise the quality of life in rural America.

Challenges for the Future

Special challenges to this objective continue to be the increased cost of housing and other building costs, with program budgets that are not increasing. For example, as building costs continue to rise, fewer homes, community facilities and water and waste systems ultimately can be financed with available funding levels.

In the water and wastewater area, a future challenge USDA faces is assisting, with limited program resources, rural communities most in need of its financial and technical services. These communities usually have the least resources for such services. Droughts, limited water resources, extreme temperatures and other environmental

maladies present unique problems in developing utility systems, and worsen this condition. Since solutions to difficult conditions often are expensive, additional grant funds must be used to develop feasible projects.

USDA's utilities programs also support the creation of jobs and the strengthening of the rural economy. Rural communities are unattractive to industry if they cannot provide adequate (and competitively priced) electric, telephone, water and waste services to these industries. A community's ability to attract and keep these businesses and the jobs they provide are linked directly to these services. Ensuring that rural America can participate fully in the economic recovery of rural America requires safe, reliable and affordable infrastructure.

KEY OUTCOME: IMPROVE RURAL QUALITY OF LIFE THROUGH HOMEOWNERSHIP OPPORTUNITIES PROVIDED

There continues to be an unmet need for decent and affordable housing in rural America. USDA implements a wide variety of housing programs. Through its Single Family Housing Direct and Guaranteed Loan Programs, USDA helps rural families who would not be able to achieve the dream of homeownership without its assistance. The Department has invested more than $4.6 billion to assist 48,894 rural families obtain homes, and an additional $63 million to rehabilitate the homes of more than 11,500 very low-income families. The average income for families receiving direct loans is approximately $22,600, while the average for guaranteed loans is approximately $39,900. Other programs focus on assisting dwellers in rental housing, farm-worker housing, home rehabilitation and self-help, and new-home construction.

Exhibit 26: Improving Rural Quality of Life Through Homeownership Opportunities

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
2.2.1	Improve the quality of life in rural America through Homeownership			Exceeded
	▪ Increase financial assistance to rural households to buy a home	41,705	48,894	
	▪ Increase the number of minority homeowners	8,400	8,500	

Analysis of Results

USDA exceeded its homeownership target for 2004. With historically low interest rates, the housing industry represented the Nation's leading economic force during the past year. Demand for housing, particularly for entry-level starter homes, has increased. Housing is one of the leading economic indicators used by the U.S. Department of Commerce. On September 27, 2004, Commerce Secretary Donald Evans stated that the "demand for new homes rose by 9.4 percent as new home sales made its biggest jump in nearly 4 years. Housing starts, building permits, existing home sales and the homebuilders' housing market index all remain at high levels." USDA's housing programs are critical for very low- to moderate-income families in attaining affordable homes and sharing in the Nation's prosperity.

The demand for housing, particularly for entry-level starter homes, has increased. This increase in demand took place at all income levels including low and very low-income residents. These are typically families who cannot obtain credit from a conventional lender because of credit issues and lack of a down payment. In FY 2004, direct housing programs provided 14,643 low and very low-income rural Americans with new homes for the first time. That is a 16-percent increase from FY 2003. More than 35,000 families, who could not obtain mortgages otherwise, attained homes through USDA's loan guarantee programs. The Department aggressively responded to the President's October 2002 goal of increasing minority homeownership by 5.5 million families by the end of the decade. USDA's "5-Star Commitment" to increase minority homeownership, which was established in 2003, includes:

- Lowering fees to reduce barriers to minority homeownership;
- Doubling the number of self-help participants by 2010;
- Increasing participation by minority lenders through outreach;
- Promoting credit counseling and homeownership education; and

- Monitoring lending activities to ensure a 10-percent increase in minority homeownership.

Additionally, each State office was provided benchmarks and goals through 2010. The offices also have developed their own plans to meet the Secretary's 5-Star Commitment. While 13 percent of rural America is comprised of minorities, 18 percent of USDA loans reached minorities in FY 2004. USDA helped 8,500 minority households achieve their dreams of homeownership in 2004. One of the major contributors to this success is USDA's Mutual Self-Help Housing Program, which serves a population comprised of more than 50 percent minority families. Through this program, groups of 6 to 12 families mutually build each other's homes. This program has significantly reduced the barriers experienced by many minorities in achieving homeownership by allowing customers to use "sweat equity," or their own labor, to reduce the overall cost of building the home. The default rate on loans made through this program generally is 4 percent lower than other loans in the single-family housing portfolio.

When a Colorado couple, who inquired about Habitat for Humanity's home building program, didn't meet the criteria, Habitat referred them to Housing Resources of Western Colorado. This entity participates in USDA's Mutual Self-Help Housing Program. This summer, the young couple, now with a 2-year old child, began work with their future neighbors to build their own homes. With direct loans, technical construction assistance from Housing Resources and their mutual efforts to help each other, they literally have built their own neighborhood. Habitat for Humanity is a not-for-profit organization dedicated to eliminating homelessness and poverty.

While the economy is recovering and housing booming in many parts of the country, these programs exist to ensure that the essentials—clean water, decent and affordable housing, and utilities—are available to those who have not experienced this upswing.

Exhibit 27: Trends in Rural Homeownership

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Increase financial assistance to rural households to buy a home Baseline: 1999 = 55,941	45,420	44,701	43,036	44,130	48,894
Increased the number of minority homeowners	8,996	8,402 Baseline	8,231	8,539	8,500

KEY OUTCOME: IMPROVE RURAL QUALITY OF LIFE THROUGH NEW OR IMPROVED WATER AND WASTE DISPOSAL FACILITIES

Water and waste disposal loans and grants are provided to rural communities for the development, replacement or upgrading of such facilities. This effort includes poverty stricken rural communities and those facing distress because of out-migration, natural disasters or economic distress due to Federal actions. Direct loans are repayable over a maximum term of 40 years. Since the program's inception in 1937, water and waste disposal borrowers have received $29 billion in direct loans, loan guarantees and grants.

Failing infrastructure is a common problem both in large cities and small rural areas' water and waste disposal systems. Additionally, investments in repairs and replacements usually do not generate more revenue. Smaller systems with a smaller user base cannot absorb these added expenses without significant rate increases.

Some of these issues can be mitigated through better asset management, full-cost pricing and technology advances. Proper care of assets can extend their useful life and improve their productivity. Keeping the public aware of the benefits of safe drinking water can improve its willingness to pay the cost of unsubsidized service. Additionally, technology advances can provide lower cost solutions.

Exhibit 28: Improving Water and Waste Disposal

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
2.2.2	Increase the number of subscribers receiving new and/or improved water and/or waste disposal service (Mil)	0.65	0.69	Exceeded

Analysis of Results

The performance goal was exceeded. Results from the FY 2003 Office of Management and Budget (OMB) Program Assessment Rating Tool (PART) assessment showed the program to be extremely well designed and managed. Additionally, it found:

- The program successfully targeted assistance for water and wastewater infrastructure to poor rural areas;
- USDA effectively collects program data and uses that information to manage effectively. Over the life of the program, fewer people in rural areas are experiencing access problems to safe, affordable drinking water and wastewater disposal; and
- While this assessment is based largely on existing measures, these measures do not demonstrate results adequately. Improvements to the performance measures needed to be made. USDA cannot show that the long-term results are directly related to its program. The long-term goal needs to be more strategic and focused to allow for better analysis.

Exhibit 29: Trends in Water and Waste Disposal Service

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Increase the number of subscribers receiving new and/or improved water and/or waste disposal service (Mil)	0.67 Baseline	1.01	0.79	0.59	0.69

KEY OUTCOME: IMPROVE RURAL QUALITY OF LIFE THROUGH NEW AND/OR IMPROVED ELECTRIC FACILITIES

Electricity has been taken for granted in American cities since at least 1936. But if one lived in a rural area nearly 70 years ago, chances are that person went without these necessities of modern life and the high standard of living they make possible. With close to 70 years of experience, the Electric Program has found that electric utility construction, operation and maintenance are best when high-quality, long-lasting materials are used.

Electricity came to rural America through some of the most successful Government initiatives in American history. This happened through USDA working with rural cooperatives, not-for-profit associations, public bodies and for-profit utilities. Today, the Electric Program continues this tradition by helping rural utilities expand and keep their technology up to date. This program also helps USDA establish new and vital electrical services.

The public-private partnership forged between USDA and the electric industry results in billions of dollars in rural infrastructure development. It also creates thousands of jobs for the American economy. Providing reliable, affordable electricity is essential to the economic well-being and quality of life for all of the Nation's rural residents. The Electric Program provides leadership and capital to upgrade, expand, maintain and replace America's vast rural electric infrastructure. Under the authority of the Rural Electrification Act of 1936, USDA makes direct loans and loan guarantees to electric utilities to serve rural customers. This makes the Federal Government the majority note holder for more than 700 electric systems.

Exhibit 30: Connecting and Improving Electric Service

Annual Performance Goals and Indicators	Fiscal Year 2004		
	Target	Actual	Result
2.2.3 Increase the number of subscribers receiving new and/or improved electric facilities (Mil)	1.350	4.325	Exceeded

Analysis of Results

The performance goal exceeded its target by 2.975 million subscribers, thanks in part to favorable interest rates. In FY 2004, the Rural Utilities Service Electric Program approved 221 loans to rural distribution, generation and transmission providers with more than $3.8 billion. These loans connected 378,776 new consumers and upgraded and/or improved electric service to more than 3.9 million consumers.

For every dollar that USDA invests, $2.70 is leveraged in private investment. This creates local jobs and higher local tax bases. It also develops a much stronger economy in rural communities.

Exhibit 31: Trends in Connecting and Improving Electric Service

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Increase the number of subscribers receiving new and/or improved electric facilities (Mil)	1.779	4.501 Baseline	3.302	3.776	4.325

In addition loaned funds providing safe, reliable and affordable electric service, these loaned funds also are responsible for providing additional jobs in rural areas. For instance, the cooperatives and corporations that obtain financing from the Electric Program, like all businesses, have an impact on the local economy through their employment and payroll. However, the total economic activity of these rural businesses stretches beyond these direct effects. Linkages exist between one firm or industry and the rest of the economy. An industry may buy a portion of its material inputs and business services from other loan businesses. Likewise, employees spend a portion of their earnings on goods and services within the local economy. These additional activities, or linkages, generate additional economic activity in the local area.

Rural America is diverse and the challenges facing rural communities are wide-ranging and varied. Its diversity presents opportunities for the creative application of programs and policies and calls for unique partnerships. The Electric Program is focused on strengthening the partnership between the Rural Utilities Service, USDA's borrowers and grantees, and all rural America participating in and benefiting from the agency's programs. The Electric Program continuously studies the future needs of rural communities, assesses its current lending practices and identifies opportunities to better serve rural America.

The Electric Program is committed to improving its efficiency and effectiveness by promoting progressive, entrepreneurial and innovative thinking. Electric Program employees are encouraged to develop and share new ideas so as to promote and deliver its mission in a customer-oriented manner. The program works with local communities and borrowers to ensure that its loan funds are spent for the purposes intended and in needed rural areas. These loan funds enable rural Americans to enjoy the same opportunities as their urban counterparts.

Those rural communities still in need of electric program services tend to be those with unique or costly conditions that are not addressed easily or cheaply. Distance between customers, aging substandard existing systems, or unique environmental conditions make those Americans most in need of USDA's services increasingly expensive to support. At a minimum, these customers require more technical assistance provided through agency salaries and expenses. Likewise, reduction in the funding for salaries and expenses will limit the ability of the Electric Program to provide the staff and other resources needed to deliver the program and achieve the estimated level of performance.

KEY OUTCOME: IMPROVE RURAL QUALITY OF LIFE THROUGH NEW OR IMPROVED TELECOMMUNICATIONS FACILITIES

USDA finances the deployment of a nationwide, rural broadband network. Since private capital for the deployment of broadband services in rural areas is insufficient, USDA incentives are that much more important. Providing rural residents and businesses with barrier free access to today's technological benefits will bolster the economy and improve the quality of life for rural residents.

Building and delivering an advanced telecommunications network is affecting the Nation's economy, strength and growth significantly. Broadband networks in small, rural towns facilitate economic growth and provide the backbone for the delivery of increased educational opportunities through state-of-the-art telecommunications networks. While rural America can be defined by various statistics, the most important one is that 49 million people call it home. Just as the citizens in U.S. cities and suburbs benefit from access to broadband services, so should rural residents. In rural America, access to broadband plays a vital role in solving the problems created by time, distance, location and lack of resources. The promise of broadband is not just "faster access." It means:

- New educational opportunities through distance learning, enabling rural students to take virtual field trips around the world;
- Lifesaving medical treatment via telemedicine networks, allowing specialists to guide surgeries hundreds of miles away; and
- Economic growth and new markets, where businesses prosper and grow locally, while competing nationally and globally via high-speed networks.

The Farm Security and Rural Investment Act of 2002 (FSRIA) established the new loan and loan guarantee program "Access to Broadband Telecommunications Services in Rural Areas." This program is designed to provide funding for the cost of constructing, improving and acquiring facilities and equipment for broadband service in rural communities of 20,000 people or less. Direct loans are made for the life of the facilities financed. Loans may be made at 4 percent to rural communities, where broadband service currently does not exist. Loan guarantees bear an interest rate set by the private lender consistent with the current applicable market rate for a loan of comparable maturity. The guarantees are made for no more than 80 percent of the principal amount. The number of counties receiving new service will measure the extent to which the deployment of broadband service is achieved.

Exhibit 32: Support High-Speed Telecommunications Service

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
2.2.4	Increase the number of subscribers receiving new or improved telecommunication services (broadband) (Mil)	.695	.374	Unmet

Analysis of Results

The performance goal was unmet. Only 15 percent of the estimated funding was used, primarily due to a shortfall in application submission by June 30 in the infrastructure program. While funding was fully utilized in the fourth quarter, the target for new subscribers was not met. This was due to new authority in FSRIA which allows use of loan funds to refinance previous RUS loans. Thus, funding for refinancing did not contribute to subscribers receiving new or improved service. Also, several large loans were made that required substantial investment with relatively low subscriber additions. The President has announced the goal for all Americans to have access to broadband service by 2007. As such, during the year, USDA aggressively marketed the broadband program by reaching out to the telecommunications industry and the broadband providers to achieve the Department's part of the goal of funding facilities that deliver broadband service to rural America.

The broadband loan program is distinctively different from the traditional telecommunications program portfolio. First, even in today's technology-driven marketplace, broadband service, while critically important, still is not deemed a "necessity-of-life" in the same manner as electricity, telephone service and water and waste

disposal. It is a commodity that must be marketed properly so that potential customers are made aware of the many benefits of broadband service. Only then are they likely to spend their hard-earned discretionary dollars on broadband access. Second, a majority of the applicants are "start-up" companies with little, if any, history of doing business in this industry. Third, today's marketplace is a highly competitive one as opposed to the traditional monopolistic environment. Finally, many applications cover multi-State service territories, rather than a single cooperative serving a single rural community. Many are applications requesting to serve 50, 75 or in excess of 100 rural communities in multiple States.

These differences, while opening the door to a greater number of potential applicants, pose new challenges for a lending program. While financial feasibility remains as the key to making good loans, USDA looks to continue marketing and facilitating the deployment of broadband in rural America aggressively and support the goal announced by the President.

Increasing the number of counties with broadband service benefits rural counties. The entire U.S. broadband service opens new markets for business to relocate, raises educational standards through distance learning projects and improves health care through the use of telemedicine delivery systems.

Exhibit 33: Trends in the Number of Subscribers Served by High-Speed Telecommunications Service

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Increase the number of subscribers receiving new or improved telecommunication services (Broadband) (Mil)	N/A	N/A	N/A	.382 Baseline	.374

Description of Actions and Schedules

The new authority to use loan funds to refinance previous RUS loans and several large loans that required substantial investment with low subscribers were external to and beyond the control of the agency. The first factor (refinance previous RUS loans) greatly altered the assumptions used in setting the target and may require adjustments to future targets. The second factor (large loans with low subscribers) is a temporary anomaly and should not impact future targets. However, USDA will monitor this to detect any trends that might indicate the need to re-evaluate how many loan dollars are needed per subscriber receiving new or improved service.

KEY OUTCOME: IMPROVE RURAL QUALITY OF LIFE THROUGH NEW OR IMPROVED COMMUNITY FACILITIES

USDA provides a series of grants and loans to finance the development of facilities that are essential to a modern standard of living in rural communities. A wide range of public services can be assisted by these programs, including hospitals, fire trucks, police cars, child care centers, food banks, schools, medical clinics, nursing homes, community centers, town halls, jails and street improvements. These essential community facilities reached more than 12 million rural residents in 2004. Taken together, these investments bring important benefits to a large number of rural communities and citizens. They increase the availability of essential services and raise the quality of life in rural America. Moreover, USDA's programs leverage Federal funds with private capital to invest in rural infrastructure, technology and human-resource development. A good example would be the new child care/learning center in Ellsworth, Maine. "Let's put the children first" was the mantra used during the design phase. This new child care learning center includes a 12,000-square-foot building with six classrooms, a meeting room, parent space, a commercial kitchen, offices, a library, a secure computer area, a parking area, and an outdoor playground. Specific attention was taken to create rooms filled with natural light and promote a safe and creative environment for 60 preschoolers and 24 infants and toddlers. The project was financed by a USDA Community Facilities Direct Loan of $605,000, a Department Community Facilities Guaranteed Loan with Union Trust Company of $380,000, a Head Start Grant and community-wide fundraising.

A special USDA initiative in FY 2004 was the Rural Emergency Responders Initiative to strengthen the ability of rural communities to respond to local emergencies. During FY 2004, USDA invested over $274 million of Community Facilities loan and grant funds into 531 first responder projects that serve rural Americans. These projects included 129 fire trucks, 85 fire departments, 62 police cars, 44 hospitals and related equipment, 38 ambulances, and numerous other facilities that will allow rural communities to respond to emergencies.

USDA provided funds to construct, renovate or improve 1,167 essential community facilities in FY 2004. Rural Americans will have improved services available from 158 health care facilities, 418 public safety facilities, 138 educational facilities, 25 energy-related facilities, 237 public buildings and improvements, 14 recreation facilities and 177 other essential community facilities.

Exhibit 34: Number of New and Improved Community Facilities

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
2.2.5	Provide access for residents to new and/or improved essential community facilities (Mil)	12	12	Met

Analysis of Results

The performance goal was met. Despite favorable interest rates, many rural communities are facing increased financial stress due to agricultural conditions (including drought, flooding and forest fires), natural disasters, the slowed economy and other factors. Additionally, many sectors, such as health care, are experiencing increased financial pressures. Working with its partners, USDA has been able to help meet many of these vital needs.

Exhibit 35: Trends in New and Improved Essential Community Facilities

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Provide access for residents to new and/or improved essential community facilities (Mil)	N/A	6.8 Baseline	7.2	7.2	12

Management Challenge

Implementing improvements and safeguards needed for the Rural Multi-Family Housing Program is a management challenge for USDA. (Appendix A contains the Office of the Inspector General's report on USDA's major management challenges.) In response to this challenge, in October 2004, USDA is completing an analysis from a statistical sample of its rural rental housing projects. The study combines physical, financial and market analyses of the sample properties. USDA has received preliminary results on the capital needs of the multi-family portfolio and is considering alternatives for addressing those needs.

STRATEGIC GOAL 3: ENHANCE PROTECTION AND SAFETY OF THE NATION'S AGRICULTURE AND FOOD SUPPLY

The United States Department of Agriculture (USDA) provides a secure agricultural production system and healthy food supply to consumers by protecting it against pests and diseases, minimizing production losses, maintaining market viability, and containing environmental damage. USDA also ensures that the commercial supply of meat, poultry and egg products moving in interstate commerce or exported to other countries is safe, wholesome, labeled and packaged correctly. Additionally, the Department ensures that products imported from other countries are produced by a system equivalent to USDA's.

In May 2004, USDA provided $14.7 million in funding (including CCC funding) to address *Avian Influenza*. Of that amount, $10.8 million was used to develop a national low pathogenic *Avian Influenza* control and prevention program. *Avian influenza* is an infectious disease found in poultry. The Department also expanded

its surveillance program for *Bovine Spongiform Encephalopathy (BSE*). *BSE* is a degenerative brain disease found in cattle. The plans call for USDA to increase the number of animals it tests for the disease. The Department will build on previous cooperative efforts with its partners to obtain samples from the targeted high-risk populations. USDA also spent $18 million to help halt the spread of *Phytophthora Ramorum*, or sudden oak death, to non-infested areas of the U.S. The money was used for a national survey, nursery inspection, sampling, diagnostic testing, quarantine activities, regulatory enforcement, and public outreach.

A key to enhancing public health is ensuring that employees executing USDA's food safety responsibilities are scientifically and technically skilled. USDA is addressing the training and education of its workforce aggressively. During FY 2004, the Department held a series of national workshops for small meat and poultry processing plants. The workshops were designed to teach employees about new directives for strengthening *E. coli* 0157:H7 prevention procedures. The workshops provided owners and operators with detailed information about the directives and updated procedures inspectors will follow in certifying plant compliance. *E. coli* 0157:H7 is a bacterium found in undercooked meat. To ensure consistent and accurate inspection, the Department has made a strong commitment to recruiting scientists and retooling its entire training and education program for all employees. These employees will be able to identify and focus on activities that enhance public health.

USDA continues to implement five core initiatives to improve food safety for American families. The initiatives, which were established in 2002, include:

- To improve the management and effectiveness of the Department's regulatory programs;
- To ensure that policy decisions are scientifically based;
- To improve the coordination of food safety activities with other public health agencies;
- To enhance public education, and
- To protect USDA-regulated products from intentional contamination.

Additionally, the emergence of previously unrecognized pathogens and new trends in food distribution and consumption highlight the need for new strategies to reduce health risks. These risks often are associated with pathogenic microorganisms in meat, poultry and egg products. In an effort to reduce incidences of foodborne illness, USDA works to educate consumers on the importance of following food safety guidelines. As a liaison to the Partnership for Food Safety Education, USDA is involved in the Fight BAC!™ campaign. The goal of this campaign is to educate consumers on the following four easy steps that they can take to decrease the risk of foodborne illness:

- **Cook**—Cook to a safe internal temperature. Ground beef should be heated to 160 degrees Fahrenheit;
- **Separate**—Separate raw and cooked/ready-to-eat food to prevent cross-contamination;
- **Clean**—Clean the thermometer after use. Be sure there are plenty of clean utensils and platters on hand. Wash hands often; and
- **Chill**—At home, store leftovers in the refrigerator or freezer within two hours of taking food off the grill. On hot days above 90-degrees Fahrenheit, refrigerate or freeze within 1 hour. Make sure the temperature in the refrigerator is 40 degrees Fahrenheit or below, and 0 degrees Fahrenheit or below in the freezer. Check the temperature occassionally with a refrigerator/freezer thermometer.

Through analysis and discussions with the scientific community, public health experts and all interested parties, issues have been identified that need to be addressed to reach the "next level" of public-health protection. A brief description of these challenges is presented in this section. The resulting strategies should help USDA achieve its goals for reducing foodborne illness.

For the Nation to have affordable and safe food, the food system must be protected at each step from production to consumption. The production and distribution system for food in the U.S. is diverse, extensive and easily accessible. This open system is vulnerable to introduction of pathogens and toxins through natural processes, global commerce and by intentional means. Crop and livestock production systems must be protected from the

ravages of diseases whether domestic or foreign. The food supply must be protected during production, processing and preparation from contamination by pathogens and toxins that cause disease in humans.

The possibility of intentional contamination of the food supply or pathogen attacks on crops and livestock defines the need to conduct research to keep the U.S. food supply safe by incorporating a biologically based (biodefense) strategy to reduce vulnerabilities. Novel scientific strategies must be developed to meet new threats.

OBJECTIVE 3.1: ENHANCE THE PROTECTION OF MEAT, POULTRY AND EGG PRODUCTS FROM FOODBORNE HAZARDS IN THE UNITED STATES

Exhibit 36: Resources Dedicated to Reduce Pest and Disease Outbreaks

USDA Resources Dedicated to Objective 3.1	FY 2004	
	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$1,168.3	37%
Staff Years	10,739	54%

Introduction

Protecting the Nation's food supply from potential hazards, whether chemical, microbial or physical, is a formidable task. Accomplishing it will require sound science to make the appropriate decisions and policy development. In the light of the public's heightened apprehension that the Nation's food supply could be a target for terrorists, and with the potential for new and emerging microbial hazards to enter the food supply, USDA's food safety systems, particularly those for meat, poultry and egg products, must be assessed and updated continually. This will help maintain consumer's confidence and protect them from exposure to foodborne diseases. These systems include activities to track the incidence of pathogens and illness-causing organisms in these products. They also are designed to raise public awareness about food safety, food security and safe food handling. Foodborne diseases include infections caused by bacteria.

Overview

Significant food safety advancements have been made in the past year. One of these has been improvement in implementation and verification of plant Sanitation Standard Operating Procedures (SSOP) and Hazard Analysis and Critical Control Point (HACCP) plans. HACCP identifies both the hazards associated with a food, in this case the consumption of meat and poultry, and the key steps that must be controlled to ensure that those products are safe. SSOP requires all Federally inspected meat and poultry plants to have written sanitation procedures to show how they meet basic sanitation practices before and during operation. This has led to a dramatic decline in the number of meat and poultry product recalls during 2003. The number of Class I, or high-risk, recalls in 2003 was cut nearly in half from the total observed in 2002. In the first half of 2004, the number of Class I recalls had decreased even further to 16. This is a strong indicator that USDA's scientifically based policies and programs are working to prevent adulterated products from entering the marketplace.

Other indicators of success include a trend of the reduction in pathogens found in meat and poultry regulatory samples. This year, USDA released data that showed a 25-percent drop in the percentage of positive *Listeria monocytogenes* regulatory samples from the previous year. *Listeria monocytogenes* is a type of bacteria found in soil, ground water and plants. Animals and humans can carry the bacteria without ever becoming sick. Most human exposure results from eating contaminated foods. This exposure can cause *listeriosis*, a serious brain disease. While most people are not at increased risk for listeriosis, some can be more susceptible to the disease, including pregnant women and their unborn babies, and newborns. Other at-risk groups for *listeriosis* include older adults and people with weakened immune systems caused by cancer treatments, AIDS, diabetes and kidney disease, among other maladies. The data also showed a 70-percent decline compared with years prior to the implementation of HACCP. USDA is cautiously optimistic that this downward trend will continue because

of the regulation issued in June 2003 for establishments producing ready-to-eat products where *Listeria monocytogenes* is a concern.

Serving the Public

Science-based risk assessments drive USDA food-safety policies and programs to enhance public health. Risk assessment provides the framework for developing the scientific basis for USDA meat, poultry and egg product policies and programs. HACCP is the system that plants use to address the hazards identified in risk assessments. Through risk assessment, USDA has been able to identify methods by which plants can control pathogens. USDA recognizes that enhancing the public's health in terms of safe meat, poultry and egg products is not a lone venture. It has formed many partnerships to provide food-safety information to the industry, the public and Federal, State and local agencies. The Department also works closely with academia to help provide guidance and assistance.

Another important part of USDA's responsibility is protecting meat, poultry and egg products from intentional contamination and bioterrorism. Information gained from risk assessments will help USDA continue its efforts to protect these products.

While the results of risk assessments shape inspection policy, they also help USDA design food-safety education programs to increase consumer knowledge, and change behaviors to prevent foodborne illness. The program targets the general public and at-risk groups for foodborne illness – the very young, the elderly, pregnant women and people with chronic diseases or compromised immune systems.

USDA scientists developed a cost-effective, rapid and accurate procedure to identify genus and species of *Enterococci* in food products. *Enterococci* can harbor antibiotic resistance genes and transfer them to harmful foodborne pathogens. The multiplex Polymerase Chain Reaction procedure detects the presence of the genes responsible for encoding antibiotic resistance. Results indicated that, although *Enterococci* are prevalent among food items, the chances of transmitting antibiotic resistance from animal food products to humans are very low. This procedure is useful to producers, regulatory agencies and researchers in tracing and preventing both pathogens and antimicrobial resistance in food products.

Selected Results in Research, Extension and Statistics

Bacterial Proteins Combat *Campylobacter*—*Campylobacter* is one of the most common bacterial causes of foodborne illness. Poultry is the primary vehicle for transfer to humans. A team of USDA and Russian scientists has discovered proteins from harmless microorganisms that can reduce *Campylobacter* numbers in bird intestines by 99.9 percent in small research trials. Large research trials will be necessary to determine if the technology is feasible commercially. This is the first treatment used in the last 25 years to achieve a significant reduction of *Campylobacter* in research trials on chickens. *Bacteriocins* could provide an effective alternative to antibiotics the poultry industry uses to control pathogenic bacteria.

Scientists Investigate Probiotic Use in Poultry, Develop New Tests—USDA scientists have found several promising intestinal bacteria that could protect live chickens from *Salmonella, Campylobacter* and other pathogens that cause foodborne illness in people who eat poultry. To prevent contamination, it is important to prevent the pathogens from infiltrating the intestinal tracts of the live birds. A team of scientists is trying to find new, healthful bacteria that, when fed to live birds, help them resist harmful pathogens and grow more efficiently. The team already has screened more than 4 million intestinal cells to develop several promising biotic combinations.

Tracking Food through Production and Distribution—Food traceability, or the ability to track the path of food from farm to kitchen, is making news in discussions ranging from homeland security, food safety to country-of-origin labeling, and genetically engineered foods. USDA released a widely cited study that examined the use of traceability in the U.S. food system. The study explored the private and public-sector rationale for adapting traceability schemes. It also provided details of how food firms and the Government sector are using traceability systems to meet consumer needs. The findings indicate that mandatory traceability—possibly a one-size-fits-all regulation—can be costly. Firms already trace many food attributes and other approaches may be targeted better toward enhancing trace back for food safety.

Food Safety and International Trade—Food safety and international trade increasingly are becoming linked. As new food safety challenges have emerged, trade has expanded and changed to meet global demand. USDA released a study that examined the conceptual relationships between food safety and international trade. The study also analyzed examples from the meat and poultry, produce, food crop, and seafood sectors.

Food Handler Certification—University of Delaware educators offered the Selvage® Manager Certification Course. Developed by the National Restaurant Association Educational Foundation, the course is offered statewide. Participants come from a range of facilities that offer food service, including restaurants, State facilities, nursing homes and child care providers. The participants work as chefs, restaurant managers and front-line food service employees. According to the National Restaurant Association, if food safety education helps eating establishments avoid one foodborne illness outbreak, it saves it approximately $75,000. This figure excludes the economic costs of health complications to the individuals affected.

Challenges for the Future

The first challenge is to anticipate/predict risk of chemical, microbial or physical hazards to the food supply through enhanced data integration. USDA must have the best available data to identify the extent and nature of these risks clearly. This will allow the Department to respond effectively. These data consist of regulatory samples and those collected by food processing establishments. There is a need to improve access to and analysis of food-safety data from all reliable sources.

The second challenge is the improved application of risk into regulatory and enforcement activities. Food safety problems need to be documented as they occur. This will allow USDA to analyze and, if necessary, mitigate any potential risks. A better understanding of the prevalence and causes of food safety failures could allow better assessment of how to address them appropriately. Data regarding the causes of food safety violations, either within a specific establishment or class, can be utilized to focus prevention and regulatory enforcement strategies better.

To develop a relative, real-time measure of how well an establishment controls the biological, chemical and physical hazards inherent in its operations, USDA is exploring the development of a Hazards Control Coefficient. For example, if the universe of meat and poultry plants could be divided into categories based on the risk inherent in their products (ground beef vs. beef jerky) and their respective compliance histories, the Department could determine the probability of each plant producing safe products. Such a scheme would help USDA make resource allocation decisions across this country's more than 6,000 meat and poultry establishments based on risk. This would maximize food safety and public health protection.

Finally, the third challenge is better association of program outcomes to public health surveillance data. There have been notable advances in preventing foodborne illness. While the U.S. Centers for Disease Control and Prevention (CDC) has attributed this partially to the implementation of HACCP, the need to determine how specific policies affect public health remains. To accomplish this, data that link illness outbreaks with specific foods need to be obtained and documented. That information then may be linked with prevalence data of specific pathogens in specific foods. To complete the linkage with public health outcomes, a strong connection with human health surveillance data are needed.

Accomplishing this task will help point regulatory efforts toward focusing inspection and enforcement on those practices where risk is deemed to be highest. This will result in a more efficient use of Government resources. Toward this goal, USDA is working with CDC's National Center for Infectious Diseases to design and support studies that connect the occurrence of specific pathogens in specific foods with that of human foodborne illness.

USDA is strengthening relationships with State health departments to include attribution data in scientific epidemiological investigations. The Department also is examining the establishment of a joint task force with CDC to determine ways to improve data collection by FoodNet. The Foodborne Diseases Active Surveillance Network (FoodNet) is the principal foodborne disease component of CDC's Emerging Infections Program (EIP). EIP is a population-based network of CDC and State health departments working with collaborators to assess the public health impact of emerging infections and evaluate methods of their prevention and control. These collaborators include local health departments, public health laboratories, academic institutions and other

Federal agencies. FoodNet is a collaborative project of the CDC, 10 EIP sites (California, Colorado, Connecticut, Georgia, Maryland, Minnesota, New Mexico, New York, Oregon and Tennessee), USDA and the U.S. Food and Drug Administration (FDA). The project consists of active surveillance for foodborne diseases and related scientific studies. FoodNet is designed to help public health officials better understand the causes of foodborne diseases in the U.S. It also provides a network for responding to new and emerging foodborne diseases of national importance, monitoring their public burden and identifying their sources. USDA will continue to engage the scientific community, public health experts and all interested parties to identify science-based solutions with public health outcomes.

KEY OUTCOME: BASING POLICIES ON SCIENCE

The accomplishments of various USDA food safety initiatives, including basing policies on science, can be observed in CDC's 2004 report on the incidence of infections from foodborne illness. The report noted significant declines from 1996 to 2003 in illnesses caused by the pathogens *E. coli* 0157:H7 (42 percent), *Salmonella* (17 percent), *Campylobacter* (28 percent) and *Yersinia* (49 percent). Illnesses caused by *Salmonella Typhimurium* decreased 38 percent. This pathogen typically is associated with meat and poultry. Between 2002 and 2003, illnesses caused by *E. coli* 0157:H7 dropped 36 percent. This reduction in *E. coli* 0157:H7 illnesses — typically associated with ground beef — brings the U.S. closer to achieving the "Healthy People 2010" goal of 1 case per 100,000 people. "Healthy People 2010" is a long-range plan from the U.S. Department of Health and Human Services (HHS). It illustrates a wide range of public health opportunities that exist in the first decade of the 21st century. The plan was created by a broad coalition of experts from many sectors and introduces a series of objectives designed to bring better health to all people in the U.S. With 467 objectives in 28 focus areas, "Healthy People 2010" was created to guide health planners, medical practitioners, educators, elected officials and all who work to improve health. CDC attributes the decreases to control measures implemented by Government agencies and the food industry, and enhanced food safety education efforts. Specifically, with regard to *E. coli* 0157:H7, CDC attributes the reduction in illness caused by this pathogen to USDA policies implemented in 2002 and 2003.

Listeria monocytogenes

Data gathered during an outbreak of *Listeria*-related illnesses during the summer/fall of 2002, other food safety investigations and in-depth verification reviews led USDA to conclude that some establishments were not addressing the potential for bacterial contamination adequately in their HACCP plans, SSOP or other control measures. In response, USDA implemented a directive in December 2002. The directive outlined steps that USDA inspectors must follow to ensure that establishments producing ready-to-eat (RTE) meat and poultry products were preventing the *Listeria monocytogenes* contamination. The directive was designed to reduce the risk of *listeriosis* from consumption of high and medium risk RTE products. It subjected establishments to intensified verification testing if they produced high and medium risk RTE meat or poultry products (deli meats and hot dogs) without validated controls for preventing *Listeria monocytogenes*, or if they failed to share information related to such programs with USDA.

In February 2003, USDA released a draft scientific risk assessment on *Listeria* in RTE meat and poultry products. A public meeting was held February 26, 2003, to discuss the risk assessment. The risk assessment was written in conjunction with a previously released FDA/USDA risk ranking, public comment gathered on the topic and a peer review. It provided important data enabling USDA to design a final *Listeria monocytogenes* rule.

On June 6, 2003, the Department issued an interim final rule requiring Federal establishments producing certain RTE meat and poultry products to take steps to reduce the incidence of *Listeria monocytogenes*. The rule required establishments to choose one of three approaches based on the stringency of the control program for *Listeria monocytogenes* that they implement. The approach taken is one factor in determining the frequency of USDA-conducted verification activities in each establishment. The highest frequency was concentrated in establishments that rely solely on sanitation practices compared with those that implement more aggressive and effective strategies. These include incorporating an inhibiting agent in product formulation or inserting an additional processing step to kill pathogens that may contaminate the product after cooling.

The rule took effect October 6, 2003. The *Listeria monocytogenes* directive was updated to reflect the policies outlined in the rule. USDA is accepting comments about the rule for 18 months after publication for the purpose of reviewing and evaluating the effectiveness of these approaches.

The *Listeria* rule was built on the results of a quantitative risk assessment. The assessment provided guidance about the practices the industry should follow to exert the greatest control over this pathogen in RTE meat and poultry products. It showed that testing the processing environment was important in helping find the organism in the niches where it may reside. This allows processors to target and eliminate it from the plant environment before it could contaminate product. Most importantly, the risk assessment showed that an establishment could choose the most effective strategy to control *Listeria* depending on its product(s) and the environment in which it operates.

The *Listeria* rule's impact already has been significant. Establishments have made changes to prevent products from harboring this organism. USDA recently conducted a survey of its inspection personnel in 1,400 establishments producing RTE meat and poultry products. It found that more than 87 percent have changed their operations in one way or another to control *Listeria monocytogenes* more effectively. More than 57 percent started testing for *Listeria* in the plant environment, more than 27 percent have begun using an antimicrobial agent to inhibit the growth of this organism and 17 percent are using post-lethality treatments. This rule challenged industry to do more to prevent contamination.

***Escherichia coli* O157:H7**

USDA measures to prevent ground beef contaminated with *E. coli* 0157:H7 from entering commerce also have yielded significant decreases in this pathogen. In 1994, USDA declared *E. coli* 0157:H7 an adulterant in raw ground beef. During the last decade, the Department has undertaken a number of initiatives to reduce the prevalence of this pathogen in raw ground beef. Beginning in October 2002, USDA required that each plant producing raw beef products reassess its HACCP plan to prevent adulterated products from entering commerce. Scientifically trained USDA personnel then conducted the first-ever comprehensive audits of 1,500 beef establishments' HACCP plans. Sixty-two percent of those plants made major improvements based on these reassessments. Sixty percent added *E. coli* 0157:H7 as a pathogen likely to occur. These moves led to a significant drop in the percentage of *E. coli* 0157:H7 positive regulatory samples in ground beef.

In September 2003, USDA released data collected from January 1 through August 31, 2003. The data showed a drop in the number of *E. coli* 0157:H7 positive samples of ground beef collected than in past years. Of these samples, 0.32 percent tested positive for *E. coli* 0157:H7, a decrease from 0.78 percent in 2002, 0.84 percent in 2001 and 0.86 percent in 2000. Since 2001, USDA has analyzed approximately 7,000 samples annually.

Additionally, USDA has taken steps to begin a science-based baseline study for trimmings used to make raw ground beef. The study was reviewed by scientists serving on the National Advisory Committee on Microbiological Criteria for Foods (NACMCF). The committee, then, issued its recommendations in a report titled, "NACMCF Response to USDA/FSIS Request for Guidance on Baseline Study Design and Evaluations for Raw Ground Beef Components."

A directive was issued in May to provide new instructions to inspection program personnel for collecting samples for *E. coli* 0157:H7 testing. The directive provides new instructions for follow-up actions that USDA personnel will take after an initial USDA sample of raw ground beef product, raw ground beef components or raw beef patty components tests positive for *E. coli* 0157:H7. It also provides new instructions to inspection program personnel for verifying the control of raw beef products that are "positive" and "presumptive positive" for *E. coli* 0157:H7, and moved to another official establishment, landfill operation or renderer for proper disposal. A renderer is an operator that may subject edible or inedible tissue to a process in which the resulting products are distinguished as edible rendered material (e.g., beef stock or flavoring) or inedible material. The resulting products are used as protein sources for animal feed or other industrial purposes.

The new directive calls for establishments with sampling and verification testing, and a high degree of confidence of finding the pathogen in both trim and finished ground product to be sampled less frequently. Additionally, USDA will weigh its sample scheduling process so that an establishment producing a large

volume of raw ground-beef products will be sampled more frequently than one with a lower volume. In the future, USDA intends to develop a random sampling and testing program for raw ground-beef and beef-patty components, and non-intact beef products other than ground beef. This includes mechanically tenderized and injected steaks and roasts.

USDA is considering how best to ensure that its inspectors know and can access the results of testing done by establishments. The Department plans to conduct an internal audit to determine the effectiveness of the new policies, which have been designed to reduce the incidence of *E. coli* 0157:H7.

Salmonella

A little more than a year ago, USDA also issued new procedures for utilizing *Salmonella* performance standards as a verification tool for food safety. Now, instead of waiting for two consecutive failures of tests to trigger an in-depth review of plant SSOP and HACCP plans, reviews are initiated after any series is declared substandard. Improvements to the in-depth review process also have been implemented, such as the inclusion of Enforcement, Investigative Analysis Officers and other HACCP-trained personnel. This process and other science-based initiatives, including strategies implemented to reduce *E. coli* 0157:H7, have played a significant role in reducing the prevalence of *Salmonella* in raw meat and poultry regulatory samples. *Salmonella* in these products has dropped substantially during the past six years. Out of the number of regulatory samples collected and analyzed by USDA between January 1 and October 31, 2003, 3.6 percent of all products tested positive for *Salmonella*. That compares to 4.29 percent in 2002 and 10.65 percent in 1998.

Although the Agency's rate of positives in regulatory samples of all three pathogens discussed above may not represent the prevalence of these pathogens nationwide, it is indicative of a statistically significant downward trend for all foods.

Exhibit 37: Pathogen Reduction (Food Inspection)

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
3.1.1	Prevalence of *Salmonella* on Broiler Chickens	11.7%	13.6%	Unmet
3.1.2	Prevalence of *Listeria monocytogenes* on Ready-to-Eat Meat and Poultry Products	0.8%	0.89%*	Met
3.1.3	Prevalence of *E. coli* 0157:H7 in Ground Beef	0.37%	0.19%	Met

*Includes newer-risk-based sampling project which is an effort that directs the inspector's sampling activity toward higher risk products. Approximately 80 percent of the samples for ready-to-eat meat and poultry products are scheduled under this project.

Analysis of Results

The target for 3.1.1 was not met. With respect to the prevalence of *Salmonella* on broiler chickens, the percentage of positive samples increased by almost 2 percentage points for FY 2004. At the same time, most establishments continue to pass the performance standard established in 1996 that provides for a maximum of 12 positives in a compliance set of 51 samples. USDA recently posted data on its Web site showing that 87 percent of 127 sets completed during 2003 passed the standard. This compliance rate is only slightly lower than the rates in the five previous years. The Department expressed its concern that the percentage of positive *Salmonella* tests (all sizes of establishments combined) increased slightly in all three poultry categories. USDA is examining *Salmonella* set data from 1998 to the present to identify clearly those plants displaying negative performance trends. Enforcement investigations analysis officers (EIAO) then will conduct in-depth HACCP and sanitation verification reviews at those facilities to help ensure that this one-year increase does not continue.

The target for 3.1.2 was met. USDA revised its directive that covers the sampling of ready-to-eat (RTE) products for *Listeria monocytogenes*. Under this directive, most sampling is directed to higher risk products. Approximately 80 percent of the samples are scheduled under a project that directs the inspector to collect post-deli salads, pate and meat spreads. These product categories have had higher overall rates of *Listeria*

monocytogenes in recent years. USDA also schedules sampling for all RTE products. The target was met even when including the results from the higher risk sampling.

The target for 3.1.3 was met. USDA scheduled reviews for each establishment this year using the new set of compliance requirements in the new Directive 2000. When an establishment failed an initial review, the front-line supervisor and senior veterinary medical officer/inspector-in-charge (SVMO/IIC) conducted and documented an assessment of the HACCP and SSOP procedures. Where applicable, they analyzed data actions of the establishment. They also developed, documented and implemented a comprehensive plan to verify the corrective actions implemented by the establishment.

Performance targets were selected because USDA recognizes that *Salmonella* levels on young chickens can increase even as most establishments continue to meet the performance standard. *Listeria moncytogenes* in RTE will continue to see further decreases in an already low level. In this case USDA estimated further decrease because the Department expected to see some benefit from the new rule. It should be noted that USDA should maintain the current low level.

Exhibit 38: Trends in Pathogen Reduction (Food Inspection)

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Prevalence of *Salmonella* on Broiler Chickens	8.7%	11.9%	11.5% Baseline	11.7%	13.6%
Prevalence of *Listeria monocytogenes* in Ready-to-Eat Meat and Poultry Products	1.45%	1.26%	1.03% Baseline	0.9%	0.89%
Prevalence of *E. coli* 0157:H7 in Ground Beef	0.57%	0.59%	0.77% Baseline	0.37%	0.19%

To illustrate the significance of these trends, the accomplishments of USDA's food safety initiatives can be observed in the annual (2004) report on the incidence of infections from foodborne illness by the U.S. Centers for Disease Control and Prevention (CDC). The report noted significant declines from 1996 to 2003 in illnesses caused by *E. coli* (42 percent). CDC attributes the reduction in illness caused by this pathogen to policies implemented in 2002 and 2003 by USDA. In late 2003, the Department released data that showed, as of September 30, a 25-percent drop in the percentage of positive *Listeria monocytogenes* regulatory samples from the year before, and a 70-percent decline compared with years prior to the implementation of HACCP. Additionally, for *E. coli*, USDA is publishing a peer-reviewed analysis showing that the decrease in the percentage of positive regulatory samples from 2002 to 2003 was statistically significant. This finding is consistent with the CDC reports of decreasing illness.

USDA now is collecting industry data on RTE products as part of a recent rulemaking. The Department will use these data to revise its testing program for *Listeria monocytogenes* in RTE products. USDA intends to conduct more testing in higher-risk establishments.

The next steps to maintain low pathogen levels are discussed further in the Management Challenge paragraph immediately below the next section.

Description of Actions and Schedules

While the percentage of establishments passing the performance standard has remained very high, USDA has recognized that the percentage of broiler samples positive for *Salmonella* has been increasing since 2000.

A major challenge concerns how to reduce *Salmonella* in young chickens, given that most establishments are meeting the existing performance standard.

When USDA posted the 2003 data on its Web site, the data showed that the percentage of positive *Salmonella* tests (all sizes of establishments combined) increased slightly in all three poultry categories.

The agency is examining *Salmonella* set data from 1998 to the present to identify clearly those plants displaying negative performance trends. EIAOs then will conduct in-depth HACCP and sanitation verification reviews at those facilities to help ensure that this one-year increase does not continue.

The agency also will continue to schedule a compliance set for each establishment annually. Under Directive 5000 (effective May 21, 2003), whenever an establishment fails an initial compliance set, the front-line supervisor and SVMO/IIC will conduct and document an assessment of the establishment's HACCP and SSOP procedures, and, where applicable, analyze data from the establishment's generic *E. coli* testing. That testing will focus on the corrective and further-planned actions by the establishment.

The front-line supervisor and SVMO/IIC also will develop, document and implement a comprehensive plan to verify any corrective actions implemented by the establishment.

Management Challenge:

The need for increased oversight and monitoring of food safety systems is a management challenge for USDA. (Appendix A contains the Office of the Inspector General's report on USDA's major management challenges.) In response to this challenge, USDA is using the BAX system to screen for dangerous bacteria and pathogens in raw meat and poultry products. BAX is used commonly to screen food and environmental samples for pathogens or other organisms. Since FY 2003, USDA has used BAX to test meat and poultry samples for *Listeria moncytogenes*, *Salmonella* and *E. coli* 0157:H7—three of the most commonly found pathogens in these food groups. USDA also has issued three directives. One is to provide a current list of approved substances for use in the production of meat and poultry products. The others are providing direction in the collection and processing of trace back samples, and instructions for handling and re-inspecting contaminated carcasses.

In FY 2005, USDA will continue to maintain low pathogen levels by:

- Providing guidance in using the Pathogen Reduction Enforcement Program. This program schedules sample collections for laboratory testing of regulated pathogens (such as *Salmonella, Listeria monocytogenes* and *E. coli* 0157:H7*)*. It also provides certain reports, such as non-responders and plant eligibility reports, and aids district officials in the oversight of the testing program;
- Providing ProClarity training to district and front-line supervisors. ProClarity is a data mining program that gives district office personnel and circuit supervisors direct access to "real time" data on scheduled inspection procedures, whether performed or not, and the results of those procedures. It provides inspection information in a summary format that can be analyzed quickly and easily. ProClarity also allows for progressively more targeted and detailed levels of analysis of problem areas;
- Providing ongoing food safety regulatory essentials training to inspection program personnel. This training is designed to reinforce staff understanding of food safety inspection duties;
- Conducting baseline studies to determine the nationwide levels of various microorganisms in raw meat and poultry;
- Developing a comprehensive management control program; and
- Implementing data analysts' positions within districts.

To improve controls over the recall process, USDA will:

- Complete and publish a Hazards Analysis and Controls Guide; and
- Complete enforcement and analysis officer training to provide guidance on conducting effectiveness checks of establishments conducting recalls.

KEY OUTCOME: RAISING PUBLIC HEALTH AWARENESS

USDA consumer education programs are based on "integrated marketing." This concept has three components:

- Mass media, or reaching out to the broad public;
- Cluster targeting, which use demographic, geographic and socio-demographic information to tailor communications to segmented audiences; and

- One-on-one interactions, especially through the USDA's Food Safety Mobile, expanding outreach programs to include new services and partnerships for minorities and underserved populations both in the U.S. and abroad. The Food Safety Mobile is a 35-foot, recreational-style vehicle covered with a bold, eye-catching design and prominent food safety messages. It travels continuously throughout the continental U.S. to educate consumers about the risks associated with mishandling food and the steps they can take to reduce their risk of foodborne illness.

Each component of the integrated marketing program is developed based on risk research. It also is delivered utilizing social marketing concepts and assessed through evaluative research. Ongoing nationwide surveys and consumer focus-group studies are used to evaluate and ensure the initiative's continuing effectiveness. They also are designed to track documented changes in consumer behavior.

One such initiative was a targeted thermometer education campaign in Michigan in August 2004. USDA worked with the National Food Safety and Toxicology Center from Michigan State University and local partners to host events in Ann Arbor, Lansing and Grand Rapids. The goal is to increase the use of food thermometers and prevent foodborne illness. The initiative used social marketing principles to promote positive behavior change. The target audience was a selection of parents with children under 10 years old. This age group has been chosen as the one most likely to change its behavior. Before and after testing, an overall evaluation conducted in collaboration with USDA assessed this effort's effectiveness. This pilot will be a role model for other States and may serve as the basis for a possible national launch of this initiative in 2005.

USDA is committed to communicating with all food handlers. This is especially true for those who serve others in large-scale food operations or are personally at risk for foodborne illness. The Department has made great strides in reaching out to non-English-speaking citizens. Food safety publications for both industry and consumers have been translated into several languages including Spanish, Korean and Mandarin Chinese. USDA uses national television, cable networks, educational television, radio, magazines, newspapers and Web sites to enhance public education efforts.

Ensuring that meat, poultry and egg processing plants understand USDA directives and regulations is a key aspect of its food safety outreach program. Recently, the Department has initiated a series of teaching workshops designed to provide owners and operators of plants with detailed information about new directives. They also feature updated procedures inspectors will follow in verifying plant compliance in several areas. Workshops have been held across the country on such topics as *Listeria monocytogenes, Bovine Spongiform Encephalopathy* and *E. coli* 0157:H7. More than 1,000 attendees have benefited from these interactive sessions. The information from these workshops is available upon request in both English and Spanish online at www.fsis.usda.gov.

Exhibit 39: Public Health Outreach & Education

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
3.1.4	Viewings of food safety messages (Mil)	94	123	Exceeded

Analysis of Results

USDA defines "viewing" as its best estimate of the number of people receiving the Department's food safety messages. These messages are delivered via print, radio, television, conventions, presentations, newsletters, the Internet, Meat and Poultry Hotline calls, Department publications, the USDA Food Safety Mobile and State partnerships.

USDA reached more than 123 million consumers through food safety education campaigns such as the Michigan Food Thermometer Education Campaign, press releases, video, feature articles published in newspapers and magazines nationwide, and the printing of a food safety message on the "IRS Back of the Envelope" mailing.

USDA launched a newly designed Web site in April. It offers features and tools presented in a user-friendly way to help visitors easily find the food safety information and services they need. The Web site is arranged by subject so users can navigate by topic rather than having to search through the various agencies.

This customization helps all stakeholders quickly find the food safety information most relevant to them. The site now averages more than 10 million hits, 1.5 million page views and a 500,000 visitors per month.

Electronic outreach through the site's "AskKaren" feature answers questions about the safe storage, preparation and handling of meat and poultry products. Though this is not a live chat, the robust 55,000-question database behind "AskKaren" allows visitors to correspond naturally by typing in a question and receiving an immediate answer. "AskKaren" also can provide visitors with a list of related question in their area of interest. Nearly 5,000 users have visited the "AskKaren" tool since its April launch, receiving timely answers to almost 15,000 food safety questions.

Exhibit 40: Number of Viewings for Food Safety Messages

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
3.1.5 Viewings of food safety messages (Mil)	N/A	N/A	90 Baseline	92	123

In August, USDA began a new e-mail alert subscription service that tailors pages updated on the Web site to an individual subscriber's needs. In the first month of service, there were more than 1,000 subscribers to the new service with usage continuing to grow.

The Web site is devoted to assisting visitors get the information and services they need easily by participating in the Customer Satisfaction Survey. This survey benchmarks results with other Government and commercial sites. The combined scores before and after relaunch showed a 4.7-percent increase in the overall customer satisfaction score, with nearly across-the-board improvement in individual scores. In fact, three of the satisfaction scores recommend the site (79 percent), site performance (81 percent) and likelihood to return (86 percent) exceeded both the U.S. Government and private sector benchmarks for the latest quarter.

Through various focus groups for the Michigan Campaign and the Food Safety Mobile, USDA is evaluating campaign results and refining food safety messages and education materials to meet the needs of this particular targeted audience. It also benefits the underserved populations, including Native American, Asian-American, African-American and Hispanic audiences, and at-risk populations. Focus group results will help shape USDA's national approach to future consumer food safety education outreach activities.

Future challenges include targeting the right messages to numerous audiences nationwide by utilizing mass media initiatives, the Internet and the Food Safety Mobile to continue to expand outreach.

Immediate plans for next steps include continued utilization of social marketing principles and integrated marketing through mass media campaigns and the Food Safety Mobile. Michigan campaign results will help shape USDA's national approach to future consumer food safety and serve as a foundation for a national launch of this campaign in 2005. Continued use of electronic, Web-based communication also will enhance public health outreach and education.

OBJECTIVE 3.2: REDUCE THE NUMBER AND SEVERITY OF AGRICULTURAL PEST AND DISEASE OUTBREAKS

Exhibit 41: Resources Dedicated to Reducing Pest and Disease Outbreaks

USDA Resources Dedicated to Objective 3.2	FY 2004	
	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$1,990.0	63%
Staff Years	9,258	46%

Introduction

By reducing the number and severity of agricultural pest and disease outbreaks, USDA and its cooperators protect the agricultural production system and ensure a healthy food supply. Strategies include:

- Conducting offshore threat assessment and risk reduction activities to identify and eliminate pests, diseases and weeds;
- Regulating and monitoring the importation of animals, plants and commodities. This work is designed to reduce the risk of the introduction of invasive species that may cause damage to agriculture and the environment. Other regulatory activities ensure safe research, release and movement of biotechnology and the development of effective veterinary biologies.
- Managing issues related to animal and plant health, and conflicts with wildlife. It prevents the neglect and inhumane treatment of animals used in commerce, protects their health and reduces the chances of their contracting and spreading disease. Additionally, the Department's work helps to control damage done to agricultural and natural resources by wildlife; and
- Conducting programs to detect pests, diseases and weeds quickly should they enter the country. This allows scientists to fight pests and diseases while outbreaks remain localized and less costly to control. USDA accomplishes this through educating and training public and private sector organizations to report pests and diseases when they first are observed and coordinating larger, complex eradication and control efforts. Surveys of the infestation boundaries are done and quarantines are established if necessary. This stops the movement of host materials that may spread pests and diseases.

Taken together, these components comprise the Nation's agricultural "safeguarding system."

Overview

Thanks to USDA's effort, no foreign animal diseases introduced into the U.S. spread beyond their original area of introduction. These efforts prevented severe economic or environmental damage or damage to the health of animals or humans. This met the target established in the *FY 2004 Annual Performance Plan*.

Diseases and pests have profound effects on the performance and well being of plants and animals. They cause poor growth, decreased yield, higher production costs and unacceptable quality. Billions of dollars are lost through trade embargoes, quarantines and the destruction of national livestock herds or vast crops when emerging or reemerging diseases or pests strike. For emerging diseases to be detected and controlled effectively, the biology and ecology of the causal pathogens must be understood and their weaknesses exploited to limit their spread. Rapid diagnostic tests, novel genetic vaccines, immune modulatory strategies, disease resistance genes and increased biosecurity measures will be needed to prevent or control outbreaks and the spread of plant and animal diseases in the future.

Growing out of the increased concern about the intentional introduction of disease agents and pests has come the development of networks of diagnostic laboratories. These laboratories have enhanced the Nation's collective capacity for surveillance and identification of specific pathogens greatly. The network uses common software platforms to process diagnostic requests and share information among diagnostic laboratories. Education included training for national partners and conducting simulated tests of the network's ability to

detect suspect plant diseases. This network also can detect malicious or accidental introductions of disease. Through Extension Service, producers gain an understanding of threats from diseases and pests, and learn effective and efficient means to control economically significant pests, pathogens and diseases.

Selected Results in Research, Extension and Statistics

Preventing Newcastle Disease—USDA scientists developed a new approach to experimental vaccines that combats *Exotic Newcastle Disease (END)* in poultry flocks. *END* is a contagious and fatal viral disease that affects most species of birds and kills almost all unvaccinated birds within days.

Trait in Honey Bees Keeps Mites from Multiplying—Honeybees deliver the pollen necessary for $15 billion worth of U.S. agricultural production. For more than 20 years, beekeepers have been battling varroa mites. These tiny, bloodsucking parasites weaken adult bees and sometimes cause deformities. USDA scientists have discovered that some bees have a built-in defense against varroa mites. The trait can be bred into any bee population. This "suppressed mite reproduction" (SMR) protects bees by preventing harmful varroa mites from reproducing. It is hoped that, when bred adequately into bee populations, SMR will free beekeepers from their dependence on chemical miticides.

Rapid Test for Global Fungal Threat—Rusts are fungal disease agents that threaten just about every plant or crop in the world. USDA scientists have developed a test to identify the species or agents that do the most damage to wheat: stem rust, stripe rust and two species of leaf rust. The test identifies the species by detecting specific DNA sequences in fungal genes. The test will allow diagnostic labs to analyze rust samples and track their movement around the world. This process will allow scientists to recognize immediately the types of rust fungi that might be new to this country.

New Test to Improve Plum Pox Monitoring in Stone Fruit—Monitoring the spread of the *plum pox potyvirus* in stone fruit crops could get a lot easier with a new, genetic fingerprinting test developed by USDA scientists. The aphid-borne disease causes acidity, unsightly rings and other defects that diminish the quality of peaches and other stone fruit. While plum pox poses no consumer danger, it threatens the economic well being of the Nation's $1.8 billion stone fruit industry. The newly developed test uses a chemical procedure that mass produces copies of specific genes or gene fragments for identification. Using the new test, scientists generally can determine whether the protein is in a sample in about six hours. By comparison, current detection tests take about a day.

Estimating the Potential Economic Impact of Accidental or Intentional Problems in the Food and Agricultural Sector—Building on its previously developed homeland security programs and its economic, data and geographic information systems, USDA now can analyze the economic effects of enhanced security and the potential impacts of accidental or intentional problems in the Nation's agricultural and food sectors. The analyses use current data and information about the U.S. agricultural and food systems. This process includes resource use, production, processing, distribution and consumption. The analyses also use agricultural production and food industry business information. This information system data allow USDA to perform complex analyses that inform policy decisions made within the Department. Using this analytical capability, the Department contributed to a number of homeland security exercises by estimating potential economic damage of security threats and the impacts of alternative responses. The Department also delivered a stand-alone information system to the USDA Homeland Security Office. This system can be used by staff to provide spatially oriented economic and production information during emergencies.

Invasive Species—USDA studied soybean rust in its report, *Economic and Policy Implications of Wind-Borne Entry of Asian Soybean Rust into the United States*. The analysis examined how the economic impacts of the potential establishment of an invasive species, soybean rust, will depend on the timing, location, spread and severity of rust infestation. The study also documented how soybean and other crop producers, livestock producers, and consumers of agricultural commodities respond to this new pathogen.

Animal Health: Cattle, Sheep and Goats—Researchers supported with USDA funds are using science and communications technology to battle such animal diseases as *Bovine Spongiform Encephalopathy (BSE)* and *Foot-and-Mouth Disease (FMD)*. *BSE*, also called mad-cow disease, is a chronic degenerative disorder that

affects the central nervous system of cattle. *FMD* is a severe, highly contagious viral disease of cattle and swine. It also affects sheep, goats, deer and other cloven-hoofed ruminants. Arkansas scientists use infrared spectroscopy to analyze beef samples more quickly and reliably than previously possible. An Ohio State University scientist is developing a "Prion-detection test" that uses scrapie, a disease affecting sheep and goats, as a model for detecting degenerative diseases that attack the central nervous system. One quick response was highlighted at Iowa State University. There, university television broadcasts and news releases reached farmers and consumers in at least 28 States within hours of the December 2003 announcement of the Nation's first *BSE* case.

Serving the Public

USDA's work helped reduce losses in livestock herds and flocks, better crop yields and lower costs for pest and disease control and eradication measures. The producers also realized higher farm sector incomes.

Taxpayers and citizens benefited from USDA's efforts in this area because Federal cost was less than it would have been had pest and disease outbreak spread. U.S. consumers were provided with a wide variety of low-priced food and fiber. Public and private land and property were protected from environmental damage and loss of species. Animal suffering was prevented and humans were protected from disease.

Additionally, USDA launched a national awareness campaign to educate non-commercial bird owners about avian health and poultry diseases. The Biosecurity for Birds Campaign is designed to inform people who raise their own poultry or who own exotic birds about diseases that could strike the animals. The campaign includes an expanded emergency poultry surveillance and outreach program focusing on non-commercial or backyard poultry in States considered at risk for poultry diseases. In partnership with States, Biosecurity for Birds will enhance rapid reporting of any signs of clinical disease, particularly in States where there is a large presence of backyard poultry. This is intended to protect supplies of commercially raised birds.

USDA also increased sampling rates for *BSE*. Laboratories were added to the national surveillance network. The enhanced surveillance effort will help determine whether the disease is present in the U.S. cattle herd and whether existing risk management measures are sufficient.

In April, USDA announced the framework for implementation of a National Animal Identification System (NAIS). NAIS is designed to identify any agricultural premises (building or grounds) that may be exposed to a foreign animal disease. The ability to track animals as they move between farms, auction houses, feedlots and slaughtering or rendering plants will allow USDA to identify any that might have been exposed to disease.

In an important animal welfare case monitored closely by USDA, representatives from the Hawthorn Corporation of Grayslake, Illinois, pleaded guilty to 19 counts of the Animal Welfare Act violations, including inadequate veterinary care.

Challenges for the Future

USDA faces many challenges in reducing the number and severity of pest and disease outbreaks. Some of these are external factors that, should they occur, could prevent achievement of the program goals.

As in all farming, unexpected events in the natural environment can impact pest and disease programs. A pest also may move from wild to domestic populations. Migratory birds may carry diseases across boundaries. Climatic factors may create unusually good conditions for the growth and spread of a pest or disease. Unusually wet weather can prevent program survey actions. If a pest or disease with unknown biological information or survey methodology enters the country, it might not be detected or it might go undetected before spreading and causing significant damage.

The outbreak and spread of a significant emerging, foreign animal, or plant, pest or disease in the U.S. can drain available resources quickly. The occurrence of multiple instances of these problems or one instance in multiple locations would limit USDA's prevention methods severely. When large or multiple outbreaks occur, personnel resources must be shifted temporarily from non-emergency programs. This could leave the donor program unable to achieve its outcomes if the emergency runs longer than expected. In the emergency programs,

activities such as developing guidelines and training cooperators may suffer, thereby affecting the ability to shorten response times in the future. An outbreak of epidemic proportions can overwhelm the program's ability to conduct timely testing. Support activities, such as regulatory enforcement and veterinary diagnostics and biologics, may find their workload outpacing their ability to provide effective services. When work priorities are reviewed, some of the burden may be shifted to cooperators.

USDA is challenged to keep up with new developments in technology. The development of transgenic animal species will present new problems in regulation, both in terms of maintaining the health and safety of agriculture and developing policy regarding their welfare.

USDA must communicate and coordinate with its employees and partners so that they clearly understand their roles and responsibilities, and ensure they have the necessary resources to respond quickly and effectively. The Department relies on State and local Government agencies, professional societies and industries to implement, administer and pursue the program standards required to complete them successfully. The cooperation and participation of all these groups is essential to achieving goals.

In some parts of the world, political instability may prevent program personnel from entering areas for inspection or eliminating pests. In other cases, a foreign Government may allow ships to leave its ports without properly inspecting them for pests.

Management Challenge

Incorporating homeland security considerations into program design and implementation is a management challenge for the Department. (Appendix A contains the Office of the Inspector General's report on USDA's major management challenges.) In response to this challenge, since November 2001, USDA has deployed 20 import surveillance liaison inspectors around the Nation's ports-of-entry. This action is designed to strengthen import inspection and improve coordination with other agencies, such as the U.S. Department of Homeland Security (DHS) and Health and Human Services (HHS). These three agencies share the responsibility of ensuring the safety of imported food products. During the past two years, USDA has used the "CARVER + Shock" methodology, which is used to determine vulnerabilities in the farm-to-table continuum. The method called "CARVER + Shock" is an offensive technique in that it identifies physical locations an enemy might find advantageous to introduce contaminants by evaluating the target through the enemy's eyes.

Eighteen new veterinarians have been added to the agricultural quarantine inspection staff at borders and ports of entry. These additions are designed to ensure strong preparedness programs are in place to protect U.S. agriculture. Approximately 2,600 members of the border inspection force have been transferred to DHS. In close consultation with this agency, USDA will continue to train inspectors and set policy for plants, animals and commodities entering the U.S.

In March, DHS, the U.S. Bureau of Customs and Border Protection (CBP) and the U.S. Border Patrol (BP) launched the 2004 Arizona Border Control Initiative. The effort was designed to achieve operational control of the Arizona border and support the DHS priority mission of anti-terrorism, detection, arrest and deterrence of all cross-border illicit trafficking. The initiative calls for more cooperation between DHS, the U.S. Department of Interior and USDA in allowing access to border public lands.

USDA also has created a National Surveillance Unit within its Veterinary Services Program. The unit will provide a focal point for the collection, processing and delivery of surveillance information that is needed to perform risk analyses and respond accordingly.

USDA developed guidance documents to help remind farmers and ranchers of steps they can take to secure their operations. Information was posted on USDA's Web site and distributed through the Department's extension system to reach people nationwide. USDA upgraded security efforts at its State and county offices. These measures included:

- Establishing a Web-based tracking system for disaster reporting;
- Maintaining databases of fertilizer, food, feed and seed listings; and

- Coordinating with State and county emergency boards to assist during an emergency.

A future project to continue protecting U.S. agriculture is the National Animal Identification System. This involves developing a system capable of tracing an animal back to the most logical disease source within 48 hours of detection. USDA also implemented the National Consumer Complaint Monitoring System. This national system monitors, investigates, responds to and tracks food-related consumer complaints. It also serves as a sentinel system for terrorist attacks on the food supply. USDA established Departmental policies and procedures for labs on issues such as:

- Maintaining accountability records;
- Handling, storage shipping, disposal, record-keeping and monitoring pathogens;
- Securing pathogens;
- Ensuring appropriate levels of physical security to protect against unauthorized access, theft or loss of agents or toxins; and
- Biosecurity incident response plans.

Management Challenge

The controls over germplasm storage material and the genetically engineered organism (GEO) field is a management challenge for the Department. (Appendix A contains the Office of the Inspector General's report on USDA's major management challenges.) In response to this challenge, USDA has developed draft policy guidelines for effectively maintaining information related to GEO germplasm in the National Plant Germplasm System (NPGS). GEO refers to any organism whose cellular structure has been altered scientifically. Germplasm is the cellular structure of germ cells. NPGS is a cooperative effort by Federal, State and private organizations to preserve the genetic diversity of plants. The draft policy, which currently is in clearance, includes procedures for additions, storage, access and disposal of GEO germplasm. It also provides guidelines on information exchange procedures and documentation in USDA's Germplasm Information Resource Network.

Management Challenge

Consistently applying the research misconduct policy is a management challenge for the Department. (Appendix A contains the Office of the Inspector General's report on USDA's major management challenges.) In response to this challenge, senior agency management of the Department's major research agencies committed to develop USDA guidelines for the definition and treatment of research misconduct consistent with Federal policy issued by the Office of Science and Technology Policy. The Research, Education and Economics Mission Area will oversee the process. All research agencies and the Office of Inspector General will be asked to participate.

KEY OUTCOME: PROVIDE A SECURE AGRICULTURAL PRODUCTION SYSTEM AND HEALTHY FOOD SUPPLY

Pests and diseases represent the biggest threat to agriculture because they are unexpected and can have quick, disastrous consequences. In the last few decades, increased travel and trade contributed to the spread of invasive species around the world. An effective safeguarding system is crucial to protecting the agricultural sector. Congress has appropriated funds to provide a secure agriculture production system and healthy food supply to consumers by protecting them against pest and disease outbreaks, minimizing production losses, maintaining market viability, and containing environmental damage.

USDA's primary safeguarding strategy is to monitor the health of U.S. plant and animal resources. This monitoring helps ensure that any new animal pest and disease outbreaks are detected and eliminated quickly.

Animal Pests and Diseases

A key benefit of the Animal Health Monitoring and Surveillance system is the rapid detection of emerging foreign animal diseases. These may be introduced accidentally or intentionally. Information about the health status, productivity and health-related attributes of U.S. animal population products, and biologics is critical to

understanding the spread of animal pests and disease, establishing necessary quarantines, and planning effective eradication and control measures. Public concerns about diseases that affect both animals and people reinforce the need for accurate, timely and thorough information.

The Department enhanced the National Surveillance System that previously was directed at specific diseases and commodities. In the new approach, USDA broadened its network by developing partnerships with State Governments, Tribes, veterinary colleges, animal and livestock industries, public health agencies, and other governmental and private groups. USDA also collaborated with other governmental agencies to address issues that involved linkages between farm-raised animals, wildlife and companion animals. This program designed to quickly mitigate and manage the potentially devastating impacts animal diseases may have on the Nation's food supply and economy, continued to implement recommendations made by the National Association of State Departments of Agriculture in the Animal Health Safeguarding Review.

Exhibit 42: Strengthen the Effectiveness of Pest and Disease Surveillance and Detection Systems

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
3.2.1	Number of significant introductions of foreign animal diseases and pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans.	0	0	Met

Analysis of Results

The target was met. USDA selected a target of zero because all program leaders, partners and cooperators, and congressional representatives do not want a single instance of an animal disease to spread and cause severe damage. During FY 2004, the U.S. had several introductions of foreign disease agents that were reported to the World Organization for Animal Health.

Despite these introductions, there were no outbreaks of significant foreign animal diseases or pests that spread beyond the original area of introduction and caused severe economic or environmental damage or damage to the health of animals or humans. In FY 2003, the actual result was one outbreak that spread beyond the original area to cause severe damage. This was the outbreak of *Exotic Newcastle Disease* which caused millions of dollars of damage to the poultry industry, as well as to state governments and USDA. The Secretary declared the outbreak over on September 16, 2003. For more information, visit www.usda.gov/news/releases/2003/09/0321.htm.

Exhibit 43: Trends in Strengthening the Effectiveness of Pest and Disease Surveillance and Detection Systems

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Number of significant introductions of foreign animal diseases and pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans.	0	0	0 Baseline	1	0

A presumptive diagnosis of a case of *BSE* was announced on December 23, 2003, and confirmed 2 days later. An intensive epidemiological investigation was conducted and confirmed that the affected animal was of Canadian origin. The exposure to *BSE* was assumed to have occurred in Canada. Animals from the same herd of origin were traced and depopulated as part of the investigation. This reported case of *BSE* caused significant losses to the beef exporting industry. Some of these markets have been regained.

Several policy changes were announced in response to this case. Both the Food Safety and Inspection Service (FSIS) and the Food and Drug Administration (FDA) took actions to provide additional protection for public

health. The Animal and Plant Health Inspection Service (APHIS) initiated an enhanced surveillance program for the disease. The goal of the enhanced program is to test as many cattle as possible from the targeted high-risk population in a 12-18 month period. The targeted population includes adult animals in the following categories:

- Non-ambulatory cattle;
- Cattle exhibiting signs of a central nervous system disorder;
- Cattle exhibiting other signs that may be associated with *BSE*, such as emaciation or injury; or
- Dead cattle.

Data obtained from this surveillance effort will help identify whether *BSE* is present in the United Sates, and if so, help to determine possible parameters around the prevalence level. This data will also help determine whether risk management practices are adequate or whether they need to be changed.

This program was initiated on June 1, 2004. Surveillance efforts prior to June 1, 2004, had a total of 17,121 samples between October 1, 2003 and May 1, 2004. From June 1, 2004 through September 20, 2004, a total of 73,007 samples were tested as part of the enhanced surveillance effort.

As part of this effort, seven State laboratories were trained and are participating in the BSE surveillance efforts. Additionally, five more State laboratories have been approved, and these will be brought online in the future as necessary. These labs use approved rapid tests for *BSE* surveillance purposes. USDA's National Veterinary Services Laboratories in Ames, Iowa, remains the national reference lab for *BSE* confirmatory testing. All of these laboratories are part of an existing network of State and Federal institutions that assist USDA with animal disease testing, as needed.

USDA has completed an update to Veterinary Services Memorandum 580.4 entitled, "Procedure for Investigating a Suspected Foreign Animal/Emerging Disease Incident." It includes specific instructions for conducting and reporting Foreign Animal Disease/Foot and Mouth Disease investigations. Information has been distributed for Federal animal health first responders, including a compact disc entitled, "Food Security: The Threat to American Livestock." The disc offers comprehensive information on infectious disease threats to livestock, animal disease awareness briefings, standard veterinary medical information for diagnosing such diseases and emergency information gathering and reporting mechanisms.

The framework for implementation of the National Animal Identification System (NAIS) was designed to identify any agricultural premise exposed to a foreign animal disease so that it can be more quickly contained and eradicated. USDA has implemented a premises registration system that will record locations where animals reside or will reside. Registering animal premises is the key component of a NAIS that along with animal identification, allows animal movements to be reported to national data repositories. A fully implemented NAIS, will allow animal health authorities to conduct timely trace backs during any future outbreaks. In August 2004 USDA selected 29 State and tribal projects to conduct field trials and other research in order to fine-tune identification technologies and collect animal movement data.

Animal Welfare

The Animal Welfare Program is designed to protect animals used for research in biomedical laboratories, and bred by the wholesale pet trade. The program also covers those used for education and entertainment in zoos, circuses and various exhibits, and those being transported in commerce. It protects them from disease outbreaks, neglect and inhumane treatment. USDA inspects facilities and records, investigates complaints and reinspects facilities with documentation problems. The program places primary emphasis on voluntary compliance educating facility personnel and training its inspectors.

An example of the Animal Welfare Program's educational emphasis is a proposed Center for Education, Outreach and Technology in Kansas City, Missouri. The center will offer advanced training courses for its employees to expand their knowledge on animal welfare and treatment. Eventually, it will serve as the hub for all educational, outreach and methods development activities related to animal care. The program also has

conducted several canine-care workshops to educate the general public and licensees on issues dealing with the health and well-being of dogs.

The Animal Welfare Program focused on adapting new technology to improve the effectiveness and efficiency of its field inspectors. Two different instruments were used. The first was a handheld gas chromatograph capable of identifying chemical vapors within 10 seconds. Applications for this technology include identifying illegal "soring" chemicals applied to the legs of show horses to make them feel sore so the horses lift them high in the ring, bacteria from wounds or animal solid waste, and harmful chemical vapors in animal housing facilities. The second is a handheld infrared camera capable of detecting surface temperatures on living or inanimate objects. The device is being used to evaluate the adequacy of temperature, shade and ventilation management in zoos, kennels and research facilities. It also can determine the heat patterns in horse limbs that have been subjected to chemical and physical soring methods.

Exhibit 44: Ensure the Humane Care and Handling of Animals Used in Commerce

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
3.2.2	Number of animals affected by noncompliances documented on inspection reports	340,000	383,563	Unmet
3.2.3	Percent of facilities in complete compliance at the most recent inspection	70%	70%	Met

Analysis of Results

Through regulatory inspections and educational efforts, the Animal Welfare Program has succeeded in raising the level of facility compliance for a baseline of 58 percent in 2001 to 70 percent in 2004. This new and more difficult target was met.

Exhibit 45: Trends in Ensuring the Humane Care and Handling of Animals Used in Commerce

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Number of animals affected by noncompliances documented on inspection reports	N/A	588,961 Baseline	371,856	344,866	383,563
Percent of facilities in complete compliance at the most recent inspection	N/A	58% Baseline	68%	70%	70%

The target of having only 340,000 animals affected by noncompliances documented on inspection reports was not met. During FY 2004, a total of 383,563 animals were affected by noncompliances. The increase in the number of animals affected observed during the past year may be due to several factors: (1) a change in inspection methods; (2) a change in the composition of the industry; and (3) an increase in the size of the industry. This reveals noncompliance more effectively. During this past year, field inspectors focused their efforts on facilities posing the highest risk. High-risk facilities are defined by several factors, including larger in size. With more animals to oversee, large facilities are more likely to neglect some of them. Another possible explanation may be that the mix or composition of the industry has changed slightly to include a larger proportion of new facilities that have just received their licenses. A third explanation may be that the total number of licenses and registrants has been growing. There has been a 40-percent increase in the number of facilities since 2001. The results for FY 2004 are based on 15,133 inspections in 9,424 facilities. As a result of these three factors, inspectors would have counted more animals affected by noncompliances and documented them on the inspection reports. If this is true, the slight increase most likely is a consequence of a change in the measurement method and the characteristics of the industry.

While the number of animals affected by noncompliances did not decrease during FY 2004, the Animal Welfare Program has reduced the total number of animals affected by noncompliances by more than 200,000 since the baseline was established in FY 2001. The benefits of this achievement for the Nation are:

- Assurances that the animals are being treated properly; and
- Diseases that might move from captive animals to wildlife and humans are being detected and treated.

Description of Actions and Schedules

Because the Animal Welfare Program did not meet one of its goals, it will analyze data from the last two years to see if the number and composition of noncompliant facilities can reveal more about the reasons for the slight change in the trend. When the data are ready, they will be used by the animal care management team to make appropriate changes in the FY 2005 operating plan.

KEY OUTCOME: IMPROVE ANIMAL AND PLANT DIAGNOSTIC LABORATORY CAPABILITIES

The National Animal Diagnostic Network and Plant Diagnostic Network Centers ensure the performance of timely diagnostics. They also enhance the process of producing and maintaining a timely, comprehensive catalogue of pest and disease outbreak occurrences in a nationally accessible database. Identifying new or uncommon pests and diseases accurately will allow USDA, in conjunction with the States, to expedite initial control responses, verify the physical boundaries of an outbreak and initiate regional or national containment strategies. The ultimate performance measure for these networks is their disease detection preparation. The networks will continue to study new diseases regularly to protect the Nation effectively from accidental or deliberate introduction of diseases.

Exhibit 46: Ensure the Capabilities of Plant and Diagnostic Laboratories are Improved

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
3.2.4	Improve the capabilities of animal and plant diagnostic laboratories:			Met
	▪ Specific plant diseases labs are prepared to detect	3	3	
	▪ Specific animal diseases labs are prepared to detect	6	6	

Analysis of Results

The performance goal was met. Limited trend data are available since the effort began in FY 2003 (plant) and FY 2004 (animal).

Plant disease detection criteria have been developed for *soybean rust, sudden oak death (SOD) and Ralstonia stem rot. Soybean rust* is a fungal disease that attacks the foliage of a soybean plant, causing its leaves to drop prematurely. *SOD* is a plant disease that attacks many types of plants and trees common to the Pacific Northwest. Currently, *soybean rust* and *Ralstonia stem rot* are considered two major threats.

National centers in Champaign and Urbana, Illinois; East Lansing, Michigan; Raleigh, North Carolina; and Bellefonte, Pennsylvania have received training and are prepared to battle these two diseases. State laboratories in California, Florida, Kansas, Michigan, Mississippi, New York, Oregon and West Virginia are targeting *soybean rust and Ralstonia stem rot*. Additionally, laboratories in all 50 States have been prepared to examine samples potentially infected with the SOD pathogen.

Animal disease-detection criteria have been developed for the following six high consequence diseases. *FMD* is a severe, highly contagious viral disease of cattle and swine. *END* is a contagious and fatal viral disease affecting all birds. *Classical Swine Fever*, or hog cholera, is a highly contagious viral disease of swine. *High Pathogen Avian Influenza* is a virus that can cause varying amounts of clinical illness in poultry. *BSE*, or mad cow disease, is a chronic degenerative disease that affects the central nervous system of cattle. *Chronic Wasting Disease* attacks the central nervous system of deer and elk.

USDA agencies partner with State agencies and universities to achieve a high level of agricultural biosecurity. This process is done through the early detection, response and containment of outbreaks of invasive pests and diseases. The diagnostic laboratories, adequately staffed and stocked with cutting-edge technology, are essential to accomplishing this mission.

Exhibit 47: Trends Improving the Capabilities of Diagnostic Laboratories

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Specific Plant diseases labs are prepared to detect	N/A	N/A	N/A	2 Baseline	3
Specific animal diseases labs are prepared to detect	N/A	N/A	N/A	N/A	6 Baseline

N/A = Not Available

Future challenges to improving laboratory capabilities include making non-Federal funding available. This funding could be used to expand laboratory links in each State, increase the number of screened diseases and their detection criteria, and ensure that more strategically located laboratories are prepared to deal with geographically relevant disease threats.

KEY OUTCOME: REDUCE THE NUMBER AND SEVERITY OF AGRICULTURAL PEST AND DISEASE OUTBREAKS

Genome sequencing involves studying the genetic factors that allow a cell to exist. USDA has sequenced the genomes of a wide variety of pathogens to understand their diversity better. This sequencing allows scientists to recognize new cells. It also allows them to determine why a pathogen causes disease. Due to the ever-decreasing cost of obtaining sequence data, the number of organisms or variants of the microorganisms has increased each year.

To understand what genes allow an organism to resist infection, USDA has identified genetic combinations that would give economically important agriculture species a greater ability to survive infection. Sequencing of the complete genome of important agricultural species like chickens and cows is vital to this effort and facilitates the identification of diseases during the last several years.

USDA has provided a number of diagnostic tests that help producers find and control diseases more rapidly. In some cases, these tests eventually are transferred to universities, State laboratories, private industry or other countries for use.

USDA is only at the very early stages of finding genomic markers linked to phenotypes of disease resistance. Much more needs to be done. Once more of these become available to companies, these entities will be able to breed animals without the danger of it contracting diseases. USDA is studying this process for the economically important livestock commodities. The future challenges are to continue and enhance this effort. To do this, the Department must support host genome sequencing and establish models of disease to validate the markers or resistance.

Exhibit 48: Provide Scientific Information to Protect Animals from pests, Infectious Diseases, and Other Disease-Causing Entities that Impact Animal and Human Health.

Annual Performance Goals and Indicators	Fiscal Year 2004		
	Target	Actual	Result
3.2.5: Provide scientific information to protect animals from pests, infectious diseases, and other disease-causing entities that impact animal and human health.			Met
▪ Number of organisms or variants of the microorganisms sequenced each year.	55	55	
▪ Number of resistance markers for a variety of diseases identified.	8	8	
▪ Number of tests that are transferred to universities, State laboratories, private industry, or other countries for use.	3	3	

Analysis of Results

USDA met the goal. While USDA has sequenced parts of many microorganisms and made new discoveries, many of these sequences only cover part of the genome. There are many more organisms and varieties to be studied. Despite this shortcoming, the sequence data are very useful. They have allowed scientists to discover the origin of microorganisms quickly and provided valuable insight into their diversity. Future challenges are to continue sequencing efforts and build relational databases so that the sequence data can be stored, mined and interpreted easily.

Exhibit 49: Trends in Providing Scientific Information to Protect Animals from Pests, Infectious Diseases, and Other Disease-Causing Entities that Impact Animal and Human Health.

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Number of organisms or variants of the microorganisms sequenced each year.	20 Baseline	30	40	50	55
Number of resistance markers for a variety of diseases identified.	N/A	N/A	3 Baseline	5	8
Number of tests that are transferred to universities, State laboratories, private industry, or other countries for use.	N/A	1 Baseline	2	4	3

While USDA has succeeded in transferring technologies, concepts and some fully viable tests to the end user during the past several years, many diagnostic innovations still are being lost before they are commercialized. Those tests that have been marketed immediately are used and have enhanced the capability of the producer, State Government and diagnostic labs in determining the cause and location of diseases.

STRATEGIC GOAL 4: IMPROVE THE NATION'S NUTRITION AND HEALTH

The United States Department of Agriculture (USDA) made strides in promoting access to a nutritious diet and healthy eating behaviors for everyone in the U.S. in 2004. Through its leadership of 15 Federal nutrition-assistance programs, the Department made a healthier diet available for millions of children and low-income working families. Meanwhile, USDA's Center for Nutrition Policy and Promotion used the latest science information to update Federal nutrition guidance and interactive tools. This information was designed to help consumers establish and maintain healthy diets and lifestyles. Key accomplishments included:

- **Promoting access to the Food Stamp Program (FSP)—**Food stamps help low-income families and individuals purchase nutritious low-cost meals. FSP is the Nation's largest nutrition assistance program serving a monthly average of more than 23 million people during FY 2004. The program enables eligible participants to improve their diets by increasing their food-purchasing power via benefits redeemable at retail grocery stores across the U.S. USDA promoted FSP through a national media campaign designed to reinforce the importance of food stamps as nutrition assistance and work support. The *Food Stamps Make America Stronger* campaign distributed radio spots in 75 major media markets, advertisements on city buses and more than 2 million flyers and posters written in English and Spanish across America. The campaign is designed to highlight the nutrition-assistance benefits available through FSP. USDA also made outreach efforts to educate potential participants about program changes in the FSRIA that expanded eligibility for legal immigrants. These program changes brought 150,000 participants into the program during the first year of their implementation.
- **Achieving the Highest Food Stamp Program Payment Accuracy Rate in History—**Improving payment accuracy, while increasing outreach and access, has been a major USDA priority. The FSP payment accuracy rate rose to 93.4 percent in FY 2003 from 91.7 percent in FY 2002.

- **Completing electronic benefits transfer (EBT) expansion to reach all 50 States, the District of Columbia, Puerto Rico and the Virgin Islands**—EBT uses debit-card technology to allow FSP recipients to use their benefits to purchase food items at retail stores, eliminating the need for paper coupons. In 2004, USDA completed a 20-year process of working with State agencies and retailers to convert to EBT. This conversion replaced an outdated paper process with a modern system that enhances convenience and dignity for participants, improves service for retailers and offers new tools and data to promote program integrity.
- **Working with Congress to improve the Child Nutrition Programs to ensure access, promote integrity and fight obesity—** Child Nutrition Programs are designed to provide nutritious meals to students at participating schools, with eligible students receiving free or reduced-price meals. Legislative improvements achieved through passage of the Child Nutrition and WIC Reauthorization Act of 2004 established priorities to ensure access to Federal nutrition-assistance programs for the children who need them, while maintaining and improving their integrity and supporting USDA efforts to address the growing public health threat of obesity.
- **Development with the U.S. Department of Health and Human Services (HHS) of the 2005 *Dietary Guidelines for Americans*—**These guidelines represent the cornerstone of Federal nutrition policy and nutrition-education activities. They are issued jointly by USDA and HHS and updated every five years. Additionally, the Food Guidance System (formerly known as the Food Guide Pyramid, originally released in 1992) that supports and communicates the guidelines was reviewed and revised. The changes were designed to reflect the most comprehensive, up-to-date science available to provide clear and useful nutrition information to consumers in the U.S. With 90 percent of the work completed on the Food Guidance System, USDA is poised to release the new food guide in early 2005.

The key to improving the Nation's health lies in improving the quality of its diet through a nutritionally enhanced food supply (developing new more nutritious food products that contribute to healthier diets) and better knowledge and education to promote healthier food choices. USDA made such improvements a top priority in FY 2004. Four of the top 10 causes of death in the U.S. (cardiovascular disease, cancer, stroke and diabetes) are associated with the quality of diets—diets too high in calories, total fat, trans and saturated fat and cholesterol, or too low in fruits and vegetables, whole grains and fiber. The Nation is experiencing an obesity epidemic resulting from multifaceted causes including a "more is better" mindset, a sedentary lifestyle and the availability and choices of fat- and sugar-laden, high-calorie foods. Consumers are looking for foods that taste good, offer nutrition and other health benefits, and are convenient to prepare and consume. In FY 2004, USDA pursued national policies and programs to ensure that everyone has access to a healthy diet regardless of income, and that the information is available to make good nutrition choices.

USDA's success in promoting public health through good nutrition and the effectiveness of its nutrition assistance education programs relies heavily on research. The research provides critical knowledge of what we need to eat to stay healthy and how that knowledge can be conveyed to the public in a manner that leads to true dietary changes. Research also supports development of new healthy and tasty food products providing another avenue for helping consumers eat well. In FY 2004, USDA conducted and supported research that clarified how different nutrients, such as isoflavins, promote health, demonstrated what influences people's eating patterns and developed healthy new products made from common commodities, such as rice and cheese by-products.

OBJECTIVE 4.1: IMPROVE ACCESS TO NUTRITIOUS FOOD

Exhibit 50: Resources Dedicated to Improving Access to Nutritious Food

USDA Resources Dedicated to Objective 4.1	FY 2004	
	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$44,985.7	98%
Staff Years	736	26%

Introduction

USDA's nutrition-assistance programs represent the Federal Government's core effort to reduce hunger and improve nutrition across the U.S. By working with States to ensure effective program operations and benefit delivery for participants, USDA seeks to provide access to a nutritious and adequate diet for those with little income and few resources. For a variety of reasons, many individuals and families eligible to participate in these programs do not. In FY 2004, USDA focused on increasing the rate of participation among people eligible for food stamps and expanding access to the School Breakfast Program (SBP), which is not as widely available as the National School Lunch Program. While SBP provides cash assistance to States to operate not-for-profit breakfast programs in schools and residential child care institutions, many institutions that offer school lunches currently do not offer school breakfasts. On an average school day in FY 2004, more than 50 million children have access to school lunch, nearly 29 million children chose to eat a program lunch and nearly 9 million children received a breakfast through these programs.

The Department also sought to serve all those eligible for the Special Supplemental Nutrition Program for Women, Infants and Children Program (WIC) who wish to participate within authorized funding levels. WIC helps to safeguard the health of low-income women, infants and children up to age five who are at nutritional risk. The program provides nutritious foods to supplement diets, information on healthy eating and referrals to health care. About 7.8 million pregnant women, new mothers and their young children benefited in an average month in FY 2004 thanks to WIC.

Overview

USDA made significant advances in promoting access to nutritious food in 2004. The Department worked with States to implement new Food Stamp Program (FSP) provisions that restore food stamp benefits to otherwise eligible legal immigrants whose eligibility had been eliminated as part of welfare reform legislation. The provisions also give States the ability to adopt user-friendly options to simplify program requirements for participants and transitional benefits that can ease the transition from welfare to work. USDA developed and delivered a media campaign to inform low-income people of their potential eligibility. The Department also provided technical assistance, outreach and participation grants and guidance to faith- and community-based organizations to encourage FSP participation. Additionally, USDA completed the transition to EBT for all food-stamp benefits, which has improved convenience for participants in redeeming their benefits greatly.

USDA promoted SBP through raising awareness of the program's availability with State and civic leaders, and supporting and celebrating National School Breakfast Week**.** This program is designed to promote the link between a good breakfast and student learning and behavior**.** The Department worked with the OMB, Congress and State partners to ensure that WIC funding is available and distributed effectively to serve all those eligible who wish to participate. This maximizes the reach of this important program within authorized funding levels. Finally, USDA reached out to a wide range of faith-based and community organizations to deliver program benefits and services, and encourage access to the programs.

Serving the Public

The Nation is committed to ensuring that no child or family goes hungry. Federal nutrition-assistance programs are designed to provide nutritious food and nutrition promotion. They aided one in five people in the U.S. during FY 2004. These programs promote better health for all people in the U.S. support the transition to self-sufficiency for low-income working families and support children's readiness to learn in school. A well-nourished population is healthier, more productive and better able to fulfill its full potential.

Challenges for the Future

Studies and analyses show that there continue to be large numbers of eligible people who do not participate in Federal nutrition assistance programs. While recent changes in FSP have made more low-income people eligible, many may be unaware of the opportunity to receive these benefits. USDA looks to improve access to and promote awareness of these programs among those who may benefit from their services with continued outreach and information strategies.

USDA's ability to achieve this objective depends partly on adequate legislative authority for policies and program initiatives. These initiatives would promote effective access to nutrition assistance and funding to support program participation for all eligible people who seek service. The quality of program delivery by third parties—hundreds of thousands of State and local Government workers and their cooperators—are critical to Department efforts to reduce hunger and improve nutrition. Economic changes can affect both the number of people eligible and the ability of cooperators to provide services.

KEY OUTCOME: REDUCE HUNGER AND IMPROVE NUTRITION

As noted above, the resources and services USDA distributes through 15 programs represent the Federal effort to improve the nutrition of children and low-income people. The Department is committed to providing access to nutritious food through the major nutrition assistance programs for all eligible people who wish to participate. In FY 2004, USDA targeted FSP, WIC and SBP for special efforts to improve program access. While data are unavailable to assess the success of these FY 2004 efforts in increasing the rate of participation among eligible people, the period did see increased participation in all three targeted programs.

Exhibit 51: Improve Access to Nutritious Food

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
4.1.1	Improve Access to Nutritious Food (Mil):			Deferred
	▪ Food Stamp Program Participation Rate	64%	N/A	
	▪ School Breakfast Program Participation Rate	N/A	N/A	
	▪ Special Supplemental Nutrition Program for Women, Infants and Children Participation Rate (measure under development)	N/A	N/A	

Analysis of Results

The measure has been deferred because data on the number of eligible persons are currently unavailable. Data for the SBP measure should be available for reporting in the *FY 2005 Performance and Accountability Report*. Data for the FSP and WIC measures should be available for the *FY 2006 Performance and Accountability Report*. Analysis of the most recent information available follows:

Food Stamp Program—While the FY 2004 food stamp participation rate is unavailable, new information suggests that participation rates among people eligible for such benefits are lower and rising more slowly than reported previously. The most recent data, based on analysis of U.S. Census Bureau survey information indicate that overall participation rates increased slightly between 2001 and 2002, from 53 percent to 54 percent. While USDA remains committed to achieving the objective of reaching 68 percent of all those who are eligible, as shown in the Strategic Plan 2002-2007, it now appears that this may take longer than previously expected. (See Trend Analysis below for more information.) USDA executed a range of efforts to support and encourage food stamp participation in FY 2004, including:

- Approving waivers to increase FSP access among the elderly and other targeted groups. For example, FNS is working with a number of States on combined application projects (CAP). CAP allows Supplemental Security Income (SSI) recipients to apply for Food Stamp benefits through a simplified process. In one such project in Texas, food stamp participation among the elderly people increased by more than 60,000;
- Awarding 6 grants totaling $5 million to help increase awareness of USDA's FSP for low-income households and simplifying the application process;
- Awarding $1 million in grants to faith- and community-based organizations and public agencies to educate people about the benefits of food stamps so that they can make informed decisions about applying and participating;
- Providing outreach and educational materials free upon request, including posters, brochures, flyers and other materials in 35 languages;

- Expanding its Web site with new outreach resources and enhanced the FSP toll-free 1-800 hotline available to the public to learn more about FSP and learn how and where to apply in English and in Spanish;
- Launching the Food *Stamps Make America Stronger* media campaign to raise awarness of the availability of the FSP to help low-income families have access to healthier diets;
- Working with the U.S. Department of Justice to inform Federal program administrators of their obligations regarding the accommodation of people with limited English skills; and
- Launching an FSP National Outreach Coalition to partner and strengthen educational and outreach efforts nationally by sharing efforts and joining forces and resources.

School Breakfast Program—FY 2004 SBP participation rate data will be available in December 2004, and reported in the *FY 2005 USDA Performance and Accountability Report*. SBP makes healthy, nutritious meals available to an average of 8.9 million children at the start of each school day. More than 74,000 schools operated the program in FY 2004. This figure is an increase of more than 1,300 schools from the prior year that gave thousands of additional students access to the program. USDA worked to support and encourage SBP participation in FY 2004 by:

- Continuing promotion of SBP through such activities as School Breakfast Week, which involves schools across America in highlighting the program through events, posters and student activities in the importance of a good breakfast—either at home or served through the program—in being ready for school; and
- Supporting provisions in Child Nutrition reauthorization included in final legislation to expand program access by: 1) requiring States to enroll children who receive food stamps in the free school meals program without an additional application; 2) combining applications for subsidized meals so that each household can submit just one for all its children; and 3) making each certification valid for the school year, eliminating the need to re-apply if circumstances change.

WIC—FY 2004 WIC participation rate data will be available in late 2005, and reported in the *FY 2006 Performance and Accountability Report*. In FY 2004, USDA continued efforts to ensure that funding was available to support participation for all those eligible who wish to participate. During the year, rising food costs and increased participation made it necessary to provide additional funding to WIC State agencies to allow applicants to join the program. USDA distributed more than $170 million from sources for program grants, including a contingency fund created for this purpose in FY 2003.

Exhibit 52: Trends in Improving Access to Nutritious Food

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Food Stamp Program % of eligible people participating	55.7% Baseline	53.2%	53.8%	N/A	N/A
School Breakfast Program % of school children participating	14.2% Baseline	14.5%	15%	15.5%	N/A
WIC Program % of eligible people participating (measure under development)	N/A	N/A	N/A	N/A	N/A

Food Stamp Program: Newly available information suggests that participation rates among people eligible for food stamp benefits are lower and rising more slowly than previously reported. This is largely the result of important policy reforms that expanded eligibility by making it easier, for example, for a low-income family to own a reliable car to get to work and still participate.

The policy reforms were expected to depress participation rates, as a percentage of eligible participants, for two reasons. First, it takes time for information about rule changes to make its way into communities, and for people to act on that information. Second, the main beneficiaries of the rule changes–working poor families–tend to

have lower-than-average participation rates. As a result, overall participation rates increased just slightly between 2001 and 2002. While USDA remains committed to achieving the strategic plan objective of reaching 68 percent of all those who are eligible, it now appears that it may take longer than previously expected. It will take more time and effort to promote the rule changes to new potential participants.

School Breakfast Program: Trend data indicate that the proportion of children enrolled in school who participate in SBP has risen slowly but steadily in recent years. This use reflects USDA's continuing efforts to encourage schools to operate the program. In FY 2004, approximately 8.9 million children received breakfast through the program each school day.

WIC: A methodology to estimate the number of people eligible to participate in WIC is currently under development. Data are expected to be available in late 2005 and will be reported in the *FY 2006 Performance and Accountability Report*.

OBJECTIVE 4.2: PROMOTE HEALTHIER EATING HABITS AND LIFESTYLES

Exhibit 53: Resources Dedicated to Promoting Healthier Eating Habits and Lifestyles

USDA Resources Dedicated to Objective 4.2	FY 2004	
	Actual	Percent of Goal 4
Program Obligations ($ Mil)	$901.2	2%
Staff Years	914	32%

Introduction

Eating healthy is vital to reducing the risk of death or disability due to heart disease, certain cancers, diabetes, stroke, osteoporosis and other chronic illnesses. Despite this, a large gap remains between recommended dietary patterns and what people in the U.S. actually eat. USDA's nutrition assistance programs focus on improving eating behaviors through nutrition promotion and shaping food benefits to help ensure improved nutrition levels. For the benefit of the total U.S. population, the Department uses Federal nutrition policy—through such avenues as the *Dietary Guidelines for Americans* and the food guidance system—and nutrition education to provide scientifically based information about healthy diets and lifestyles. The guidelines provide advice about food choices that promote health and prevent disease.

The Nation faces an alarming increase in the obesity of children and adults, and associated diseases related to poor eating habits of Americans. The nutritional quality of diet is the connection between agriculture and health. A key to maintaining long-term health and decreasing the risk for chronic diseases is selecting an appropriate diet in moderation in combination with regular physical activity.

Overview

USDA used its nutrition assistance programs and its broader nutrition education efforts to promote healthier eating and physical activity across the U.S. It worked to improve nutrition education efforts within each of the major nutrition assistance programs. Highlights in FY 2004 included a series of projects to identify new strategies to address unhealthy weight gain through WIC, and new Team Nutrition educational materials designed to encourage fruit and vegetable consumption and healthier school environments. Additionally, a major review and reengineering effort of food stamp nutrition education is in progress. This effort is designed to ensure that it focuses on changing behaviors using the best strategies available.

USDA also provided technical support to the Dietary Guidelines Advisory Committee in its review of the Dietary Guidelines for Americans. Additionally, the Department launched a broad-based review and update of the Food Guidance System that details the guidelines. USDA also continued updating interactive tools that consumers in the U.S. can use to assess their diet and physical activity (www.cnpp.usda.gov). USDA agencies promote healthy food choices, dietary habits and eating behavior through research to improve understanding of

optimal nutrient requirements at all stages of the life cycle, the relationship between diet, physical exercise and health, and the factors influencing individual food choices. The Department conducts and supports multidisciplinary nutrition research and education that considers interrelated factors affecting nutritional status, such as genetics, physiology, sociocultural factors, psychology, economics, agricultural and food systems, and public policy.

Selected Results in Research, Extension and Statistics

Fast Food Linked to Poor Nutrition Among U.S. Children—A collaborative study conducted by USDA and Harvard University scientists showed decreased nutritional dietary quality and increased caloric intake among U.S. children on days they ate fast food. Despite intense public interest, there has been little scientific examination of the effects of eating fast food on nutritional status or health outcomes. Almost one in three children ate fast food on typical days. Findings generally confirmed what most parents would expect. U.S. children who ate fast food consumed more total calories, more calories per gram of food, more total and saturated fat, more total carbohydrate, more added sugars and more sugar-sweetened beverages than those who did not. The former group also consumed less milk, fiber, fruit and non-starchy vegetables. Some experts estimate that childhood consumption of fast foods increased from 2 percent of daily meals in the late 1970s to 10 percent of daily meals by the mid-1990s. The findings are important because childhood obesity is becoming more prevalent. Inadequate consumption of fruits and vegetables has been associated with such obesity-related problems as cardiovascular disease and diabetes. Fruits and non-starchy vegetables may protect against excessive weight gain because of their low-energy density and high-fiber content. The study was published in the *Medical Journal of Pediatrics* in January 2004 and is summarized at http://pediatrics.aappublications.org/cgi/content/abstract/113/1/112.

Process Packs Protein into Snacks—Whey proteins that remain after cheese making are a key ingredient in new nutritious snack foods produced through a process developed by USDA. The Department recently filed a patent on the process, which uses a standard industry device called the twin-screw extruder to make crunchy snacks with whey proteins. The new snacks could help meet the demands of health-conscious consumers. By using whey, the process boosts protein in expanded snacks, such as breakfast cereals, corn puffs, cheese curls and energy bars, from the traditional average of between 2 and 5 percent to 35 percent. Several high protein snacks developed through a Cooperative Research and Development Agreement with Harden Foods, Inc., a minority-owned company in Philadelphia, Pennsylvania, will be ready for market by December 2004. Using this USDA patent pending texturization technology, Harden has produced successfully market-ready cheese curls, tortilla chips and other snack products with reduced amounts of carbohydrates. Several other companies also have submitted applications to license this technology.

If Clogged Arteries Are Your Problem, Try Eating Oats—Of the 65 million Americans with heart disease and millions more at risk, diet is considered the first line of defense. Oats are known to lower serum cholesterol because of their water-soluble fiber content. Meantime, new research shows other ingredients in oats have additional benefits. Researchers funded by USDA have shown that antioxidant compounds in oats, called avenanthramides, significantly reduce the ability of white blood cells from sticking to cells lining the artery, thereby decreasing the chances for plaque buildup. The suppression of plaque provided by avenanthramide compounds may lessen the gradual constriction of vessels that leads to hardening of the arteries. Water-soluble fiber from oats long has been believed to help reduce the amount of cholesterol circulating in blood. Elevated levels of cholesterol indicates a risk for heart disease. To gain heart-healthy benefits from fiber and avenanthramides, the researchers suggest adding oat products as part of an overall healthy diet and cutting down on high-fat, high-cholesterol foods. The study was published in the biomedical journal *Atherosclerosis* in July 2004 and can be found at www.ncbi.nlm.nih.gov/entrez/query.fcgi?cmd=Retrieve&db=pubmed&dopt=Abstract&list_uids=15186945.

Rice Offers a Healthier Way to "Batter Up"—Consumers need to avoid fried foods because they contain high levels of fat oil and may pose other health risks. USDA researchers examined a variety of batters, made with long-grain rice, waxy rice, wheat or corn, to see which flour type would absorb the least amount of oil. The findings showed that batters made with long-grain rice flour and small amounts of other specially modified rice ingredients absorbed about 55 percent less oil than the traditional wheat batter. Rice flour has unique properties

that resist oil absorption. A U.S. food ingredients company is negotiating an exclusive license to produce and market this product. Notice of Intent to Grant Exclusive License has been published in the *Federal Register*. Comments must be received before October 25, 2005.

Enhancing Absorption of Chromium—USDA scientists have developed a new, stable and more absorbable form of the element chromium. Chromium helps transfer sugar from the blood to muscles, thereby helping to maintain normal blood-sugar levels. People with impaired sugar levels are at high risk for type II diabetes and increased cardiovascular disease. As much as 40 percent of the adult population is diagnosed with pre-diabetes and an additional 16 million have diabetes. This element also has been found to help maintain normal blood-sugar levels. The new chromium compound is a water-soluble complex of natural chromium mixed with the essential amino acid histidine, which helps enhance the mineral's absorption within the body. Currently, there is no blood test to distinguish adequate or deficient chromium levels. Scientists are developing tests to assess people's chromium levels and evaluating the interaction between these levels and sugar circulating in blood. The U.S. Patent and Trademark Office issued a patent to USDA in February 2004 (#6,689,383), which can be found at www.uspto.gov. The Department's Office of Technology Transfer is seeking U.S. companies interested in obtaining a license on the new compound and conducting clinical trials associated with product safety and proper dosage.

Understanding America's Food Choices—Combating obesity will require better knowledge of why people make the food choices they do. This fight also will necessitate potential policy interventions designed to influence choices. USDA published *Low-Income Households Expenditures on Fruits and Vegetables*. While increases in income result in more fruit and vegetable purchases in higher-income households, these same increases in low-income households result in the purchase of other products. Another study found that while the consumption of salty snacks would fall if a tax were imposed specifically on them, this decrease would be smaller in percentage terms than the size of the tax.

Improving Food Choices of People Who Use Food Stamps—Ohio State University operates the Family Nutrition Program (FNP) for food stamp program participants in 74 of the State's 88 counties. In FY 2004, it reached 91,672 people in programs covering nutrition, food shopping and budgeting, meal management, and food safety. Fourteen percent of participants began using the recommended practices they learned. Additionally, 70 percent learned new information and 44 percent planned to make recommended changes. Of the 15,252 people attending the shopping/budgeting presentation, 24 percent began using recommended practices.

Improved Peanuts Reduce Serum Cholesterol—The Sun Oleic 97R peanut, developed at the University of Florida Institute of Food and Agricultural Sciences with partial support from USDA, surpasses olive oil in cholesterol lowering properties. This hybrid peanut offers growers 10-to 14-percent better yields than the industry standard. It also offers manufacturers and retailers a 3-to 15-fold increase in product shelf life. The peanut is being touted for its health-promoting qualities. A University of Florida nutrition study showed that the new peanut, in conjunction with a low-fat diet, helped reduce coronary-risk factors by lowering blood-cholesterol levels in postmenopausal women.

Enhancing Production of Health-Promoting Soy Isoflavones—South Dakota State University scientists supported by USDA discovered that soybean isoflavone levels vary significantly across the country. Isoflavone is a nutrient found chiefly in soybeans. The scientists discovered that isoflavone levels decrease dramatically from the north to the south. They attributed the differences to soybean variety, crop year, location and growth conditions. By determining why soybean isoflavone content fluctuates, it may be possible to create a variety that features stable levels of this health-promoting phytochemical.

Serving the Public

Overweight and obesity soon will rival cigarette smoking as a leading cause of premature death and disability in the U.S. Improved diets can help with weight management and reduce the risk of certain types of cancers and Type II diabetes, the most common form of the disease. USDA's efforts focus on updating nutrition policy, providing information and promoting behavioral changes that can reduce weight, obesity and other diet-related

health conditions. These actions hold the potential to improve the lives of millions of Americans and reduce the social costs of these conditions.

Science has established strong links between diet and health. Researchers attribute about 300,000 premature deaths annually to poor diets. The total costs attributed to being overweight and obese are estimated to be nearly $120 billion annually. Even small improvements in the average diet would yield large health and economic benefits to individuals and society as a whole.

To this end, the Department will continue promoting healthier eating and lifestyle behaviors as a vital public-health issue. The *Dietary Guidelines for Americans* is the cornerstone of Federal nutrition guidance. Using the new *Guidelines*, and guidance updated in 2004, USDA will continue its leadership role of providing advice on patterns Americans can follow to improve overall health through proper nutrition.

In the same vein, the nutrition assistance programs managed by USDA touch the lives of one in five Americans —an enormous opportunity to promote healthier behaviors. In 2004, the Department maintained its focus on getting benefits to children and low-income people that contribute to a healthy diet, and the skills and motivation to encourage healthy eating and increased physical activity.

Challenges for the Future

While USDA's goal of reducing obesity levels begins with understanding what constitutes a healthy diet and the appropriate balance of exercise, success ultimately requires individuals to change their diets by modifying their eating behavior and increasing their physical activity. Crafting more effective messages and nutrition education programs to help people make better food choices requires understanding their current choices and the relationships between these choices and their attitudes, knowledge and awareness of diet/health links. Accomplishing this understanding requires data that link behavior and consumption decisions for individuals of various backgrounds, regions, ages and genders. While data exist on a national scale, current survey sample sizes do not yield reliable information for population subgroups.

While updated Federal nutrition guidance is critical in helping Americans develop and maintain healthier diets and lifestyles, using this guidance to motivate Americans to change remains a major challenge in light of the limited resources available for nutrition promotion. USDA will continue to explore ways to devote significant long-term resources to develop consumer-friendly and cost-effective nutrition education materials. These materials will be used both within Federal nutrition assistance programs and with the general public.

More broadly, attaining performance outcomes in this area depends partly on the emphasis that the Nation places on healthier eating, including products and practices in the food marketplace. Additionally, physical activity and other lifestyle issues have a significant affect on body weight and health.

KEY OUTCOME: PROMOTE MORE HEALTHFUL EATING AND PHYSICAL ACTIVITY ACROSS THE NATION

USDA promotes healthful eating through its comprehensive nutrition research and education programs as well as through the design of program food benefits. The nutrition research and education programs are targeted to nutrition-assistance program participants and the general public. For each target audience, the challenge is to find effective ways to translate research into working knowledge to understand what people eat. USDA assesses its performance in promoting healthful eating and physical activity among low-income populations served by the Federal nutrition-assistance programs. This is done by monitoring the Healthy Eating Index score (HEI). HEI is a measure of diet quality developed by USDA's Center for Nutrition Policy and Promotion. The Department sets targets for improvement in the HEI both for the U.S. population as a whole and among people with incomes at or below 130 percent of poverty. The Department also tracks and uses health data on overweight and obesity.

Exhibit 54: Promoting Healthier Eating Habits and Lifestyles

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
4.2.1	Healthy Eating Index (HEI) for:			Deferred
	▪ People with incomes under 130% of Poverty (Mil)	N/A	N/A	
	▪ The U.S. Population (Mil)	64.6	N/A	

Analysis of Results

The measure has been deferred because data are unavailable. FY 2004 data will be available in 2006 and reported in the *FY 2006 Performance and Accountability Report.* USDA continued efforts to promote improvement in dietary practices for low-income people. In the development of Federal nutrition policy, the Department successfully initiated updates to the *Dietary Guidelines for Americans* and the food guidance system, helping to deliver up-to-date nutrition information and guidance to the American public. USDA also:

- Continued improvement of FSP nutrition education by drafting the Food Stamp Nutrition Education Policy Framework and posting it on its Web site for public comment. This effort ultimately will make the program more effective in educating and motivating Food Stamp Program eligibles to improve their diets;
- Provided technical assistance to State agencies or partners in the development of State Nutrition Action Plans (SNAPs), which will help State agencies better coordinate nutrition strategies across the programs that serve their people;
- Distributed more than 1.2 million *Eat Smart, Play Hard* nutrition education materials to schools, food stamp offices and others delivering nutrition assistance programs for use by the children and low-income people they serve;
- Announced the next phase in the review of the food guide by seeking public comment about its "Proposal for Food Guide Graphic Presentation and Consumer Education Materials." This food guide, an educational tool, will interpret—and help Americans use—the revised *Dietary Guidelines for Americans*, scheduled for release in early 2005. When Americans follow this science-based information, they can enhance their nutritional well-being; and
- Introduced the Interactive Physical Activity Tool (IPAT), allowing consumers to assess their daily physical activity against expert recommendations. As an integral part of assessing their diet with the Interactive HEI, the IPAT encourages Americans to develop and maintain an active lifestyle. When combined with a nutritious diet, an active lifestyle promotes overall health and helps to reduce obesity and weight.

Exhibit 55: Trends in Promoting Healthier Eating Habits and Lifestyles

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Healthy Eating Index (HEI) for people with incomes under 130% of poverty (Mil)	62	N/A	N/A	N/A	N/A
Healthy Eating Index for the U.S. population (Mil)	63.8	N/A	N/A	N/A	N/A

While data on trends in diet quality from 2001 to 2004 currently are unavailable, evidence from other sources indicates that problems related to diet quality persist, both among low-income people and the general population. USDA's ongoing efforts during this period to promote behavior change, both through the nutrition assistance programs and its nationwide nutrition policy and promotional efforts, have been focused on motivating changes to reduce and prevent excessive weight gain and obesity.

KEY OUTCOME: INCREASE NUTRITION INFORMATION AVAILABLE TO THE PUBLIC

In 2004, USDA labs released three nutrient databases to the public. All are freely available at www.nal.usda.gov/fnic/foodcomp. The major release was the National Nutrient Database for Standard Reference, which includes the most essential nutrients in foods commonly eaten in the U.S. As the American diet changes, updates to this database are essential to know if the public can get adequate amounts of essential nutrients. The database is available for use on personal digital assistants (PDA), personal computers and Web-based applications. Availability in a variety of computer formats has increased the access and utilization of this valuable national resource by the scientific community, private industry and the general public.

Two additional databases also were released in 2004:

- Choline in common foods; and
- Proanthocyanidins in fruits, vegetables and nuts.

Choline is a vitamin-like compound essential to the human diet. It is important for many cellular functions including making new cell membranes and developing the memory. *Proanthocyanidins* are plant pigments that function as antioxidants. Higher consumption is related to reduced risk of chronic diseases such as cancer and heart disease.

In 2004, USDA released the new "What We Eat in America" survey. It is freely available at www.barc.usda.gov/bhnrc/foodsurvey/home.html. This release represents the first year of full integration of two nationwide dietary intake surveys—the Continuing Survey of Food Intakes by Individuals (CSFII) conducted by USDA and the National Health and Nutrition Examination Survey (NHANES) conducted by the U.S. Department of Health and Human Services (HHS). The database contains nutrient values and typical food portion weights for foods commonly eaten by Americans. It has been applied to the USDA's Healthy Eating Index and Pyramid Servings Database. These are available to the public on food packages, in advertising, and through the Web for self-evaluation of diets at http://www.cnpp.usda.gov/healthyeating.html. This continuing nationwide survey provides essential information on foods and nutrients consumed by Americans.

Exhibit 56: Provide Nutrition Information

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
4.2.2	Determine food consumption patterns of Americans and provide sound scientific analyses of the U.S. food consumption information to enhance the effectiveness and management of the Nation's domestic food and nutrition assistance program			Exceeded
	▪ Number of reports from the USDA Food and Nutrient Database	4	7	

Analysis of Results

In 2004, USDA scientists reported significant new findings on a variety of nutrition issues related to health promotion with a special focus on preventing obesity. They identified dietary patterns associated with adverse weight gain. This finding indicated that adults with wider waistlines ate more meat and potatoes or white bread. The scientists also found that fast-food consumption by children tends to be associated with lower dietary-nutritional quality and excess caloric intake. These findings, derived from the "What We Eat in America" survey, help determine eating patterns for healthy body-weight maintenance.

For intervention strategies aimed at individuals who need to lose weight, USDA scientists determined that one-third of obese women who diet recurrently and have a restrained dietary pattern have marked bone loss. This finding counters the general belief that obese women have normal or high bone density. This knowledge is critical in designing effective weight-loss plans to minimize bone loss in women at risk for osteoporosis.

USDA exceeded its target in FY 2004 primarily as a result of publishing two databases on previously unavailable minor components of foods. These one-of-a-kind databases are used widely by scientists, the food industry and the public. They are considered the definitive reference source in evaluating the healthfulness of foods. These databases are unique assets that exist nowhere else. Private companies often use the data to produce diet-analysis software. That software is used to produce interactive Web sites at which the public can analyze individual foods, a recipe or diets. Additionally, the public can download applications and nutrient data for personal computers and PDAs free of charge. These latter applications earned a Special Service Award from the Secretary.

Exhibit 57: Trends in Determining Food Consumption Patterns

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Number of reports from the USDA Food and Nutrient Database	6 Baseline	4	5	4	7

USDA scientists have enhanced significantly the public's knowledge of dietary intervention in 2004. This allows consumers in America to maintain and improve health, be aware of the types and amounts of foods they should eat and know the nutrients they consume in those foods. All of this focuses on being better able to make dietary choices that can improve the health of the Nation.

OBJECTIVE 4.3: IMPROVE FOOD PROGRAM MANAGEMENT AND CUSTOMER SERVICE

Exhibit 58: Resources Dedicated to Improving Food Program Management and Customer Service

USDA Resources Dedicated to Objective 4.3	FY 2004	
	Actual	Percent of Goal 1
Program Obligations ($ Mil)	$134.5	Less than 1%
Staff Years	1,171	42%

Introduction

USDA is committed to ensuring that nutrition assistance programs serve those in need at the lowest possible costs and with a high level of customer service. Managing Federal funds for nutrition assistance effectively, including prevention of program error and fraud, is a key component of the President's Management Agenda. USDA focused on maintaining strong performance with the food stamp payment-accuracy rate as its key performance goal in this area.

Overview

USDA continued to improve management by reducing program errors and continuing its use of electronic technology to enhance customer service. The Department achieved a critical goal in FY 2004 by completing, with its State agency and retailer partners, the nationwide implementation of electronic benefit transfer (EBT) for the delivery of food stamp benefits. EBT uses debit card technology to allow FSP recipients to use their benefits to purchase food, eliminating the need for paper coupons. It improves convenience for recipients while also making new tools available to identify and take action against program abuse—a "win-win" for good management and customer service.

While FY 2004 results of collaborative efforts between States and USDA to improve payment accuracy are unavailable, the FY 2003 payment error rate fell to a new record low of 6.64 percent.

Selected Results in Research, Extension and Statistics

Women, Infants and Children (WIC) and the Supermarket Retail Prices for Infant Formula—WIC provides food, nutrition counseling and access to health services to low-income women, infants and children. Rebates from infant-formula manufacturers to State WIC agencies support more than one-quarter of all WIC participants. Despite these moves, concerns have been raised that WIC and its infant-formula rebate program may impact prices faced by non-WIC consumers. USDA conducted the most comprehensive national study to date on retail infant-formula prices. The study showed that, for a given set of wholesale prices, WIC and its infant-formula rebate program resulted in modest increases in the supermarket price of the product. This increase is especially true in States with a high percentage of WIC formula-fed infants.

Understanding the Nation's Food Assistance Programs—Several important studies were completed that provide policymakers, program agencies and others with information to improve USDA food assistance programs. Research on program dynamics and administration examined changes over time in families' income and FSP participation. The research found that monthly incomes of households receiving food stamps varied much less than households that were eligible but not participating. USDA also continued to publish "The Food Assistance Landscape," a semi-annual periodical that highlights recent research on USDA's food assistance programs and contains important and up-to-date program statistics and economic indicators that affect program participation and expenditures. "The Food Assistance Landscape" helps policy officials better understand program operations, target populations and the economic and policy environment in which the programs operate.

Serving the Public

USDA's continued focus on improving nutrition-assistance program management and customer service reflects its long-term core commitment to prevent waste, inefficiency and abuse. The sheer size of these programs demands that the utmost attention be given to applying efficient management practices and, to the extent possible, preventing errors in distributing benefits. Deficiencies in customer service undermine the effectiveness of the programs in reaching clients with the benefits they need. Maintaining public trust in Federal nutrition-assistance programs is vital to their success and continued support.

Challenges for the Future

Some erroneous and improper payment problems are inherent to the legislatively mandated program structure. This structure is intended to serve people in special circumstances and settings. USDA must shape its management approach in light of the need to make services convenient and accessible to participants. Additionally, State and local Governments bear direct responsibility for delivering the programs. The Department must address erroneous and improper payment problems through monitoring and technical assistance. This approach requires adequate numbers of trained staff supported by a modernized information technology infrastructure to ensure full compliance with national program standards, and prevents or minimizes error, waste and abuse.

To meet the challenge of continued improvements in payment accuracy in the Food Stamp Program (FSP), USDA continues to dedicate resources to this area. Despite this, two significant challenges will impact future success. Congressional action has changed the quality-control process, lowering the risk of penalties for poor State agency performance. It remains to be seen how States will react to these changes. Additionally, State budgets have been and will continue to be extremely tight. This factor could hurt State performance in the payment-accuracy arena. USDA will continue to provide technical assistance and support to maintain payment accuracy in the context of this changing program environment.

KEY OUTCOME: MAINTAIN A HIGH LEVEL OF INTEGRITY IN THE NUTRITION ASSISTANCE PROGRAMS

While 2004 data are unavailable, the food stamp payment accuracy rate has increased over the past several years and reached a record high in 2003. This record likely reflects both changes in the definition of program error as well as the sharing of best practices among states for improving payment accuracy.

Exhibit 59: Increase Efficiency in Food Management

Annual Performance Goals and Indicators	Fiscal Year 2004		
	Target	Actual	Result
4.3.1 Improve Food Program Management and Customer Service			Deferred
▪ Increase Food Stamp Payment Accuracy Rate	92.2%	N/A	

Analysis of Results

The FY 2004 Food Stamp Payment Accuracy Rate will become available in June 2005 and be reported in the *FY 2005 Performance and Accountability Report.*

The FY 2003 Food Stamp Payment Accuracy rate was a record high 93.36 percent. The corresponding national error rate was 6.64 percent. This reflects a combination of 5.05 percent in benefit overpayments, and 1.59 percent in benefit underpayments. Twenty-one State agencies, including Texas and New York, achieved a payment error rate less than 6 percent. California, with a rate of 7.96 percent, showed a marked improvement over FY 2002's error rate of 14.84 percent. Eleven State agencies experienced a high enough error rate to be subject to sanctions if they do not improve in FY 2004.

USDA efforts such as the Partner Web (an intranet for State Food Stamp agencies) and the National Payment Accuracy Workgroup (consisting of representatives from USDA headquarters and regional offices) contributed significantly to this success. It made timely and useful payment accuracy-related information and tools available across regions and States. Additionally, the Department continued to use an early detection system to target States that may be experiencing a higher incidence of errors based on preliminary Quality Control (QC) data.

In the *FY 2003 Performance and Accountability Report*, the measure was deferred. The target of 93.4 percent was met.

Exhibit 60: Trends in Increase Efficiency in Food Management

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Increase Food Stamp Payment Accuracy Rate	91.1%	91.3% Baseline	91.7%	93.4%	N/A

USDA's close working relationship with its State partners over the last several years, along with program changes to simplify rules and reduce the potential for error, has resulted in consistent increases in the Food Stamp Payment Accuracy rate. The most important factor in maintaining improved performance in this area is the need for State partners to continue and renew their commitment to utilize findings from the quality control system. To support State improvement, USDA will continue efforts with the National Payment Accuracy Work Group to share best practice methods and strategies. USDA also will continue to resolve QC liabilities through settlements, which require States to invest in specific program improvements.

STRATEGIC GOAL 5: PROTECT AND ENHANCE THE NATION'S NATURAL RESOURCE BASE AND ENVIRONMENT

The United States Department of Agriculture (USDA) continues to implement the President's Healthy Forest Initiative (HFI), in cooperation with the U.S. Department of the Interior (DOI) and non-Federal partners. HFI was developed in response to unhealthy conditions on America's public lands due to the suppression of fires and a lack of active forest and rangeland management during the last century. The initiative has amended regulatory processes to ensure more timely decisions and greater efficiency. This includes:

- Improving procedures for developing and implementing fuels treatment and forest restoration projects in priority forests and rangelands, in collaboration with local Governments;

- Reducing the number of overlapping environmental reviews by combining projects analysis and establishing a process for concurrent project clearance by Federal agencies;
- Developing guidance for weighing the short-term risks against the long-term benefits of fuels treatment and restoration projects; and
- Developing guidance to ensure consistent NEPA procedures for fuels treatment activities and restoration activities, including developent of a model Environmental Assessment for these types of projects.

USDA worked with DOI and Congress in a bipartisan effort to protect America's forests with passage of the Healthy Forest Restoration Act (HFRA). HFRA strengthens public participation in developing high-priority forest health projects and reduces the complexity of environmental planning allowing Federal land agencies to use the best science and methods available to manage land under their stewardship. It also provides a more effective appeals process encouraging early public participation in project planning, and issues clear guidance for courts when reviewing litigation concerning forest health projects.

An interim field guide was released jointly with DOI implementing these new tools and authorities. Training sessions were conducted to increase the understanding of USDA field employees in their use. The field guide will improve the analysis of certain forest and rangeland restoration projects. Specifically, projects that already have been determined necessary by States, tribes and local communities will qualify for expedited National Environmental Policy Act review. To qualify, the projects must occur on one or more of the following types of areas:

- At-risk communities in the wildland-urban interface;
- High-risk municipal watersheds;
- Areas that provide habitat for threatened and endangered species; and
- Areas susceptible to insect infestation or disease epidemics.

Management tools provided by the HFI and HFRA enable land managers to reduce the risk of wildland fire to communities and forest resources. Decades of fire exclusion have allowed excess vegetation to crowd forest stands. The crowding makes them more susceptible to uncontrollable fires and pests, degrading wildlife habitat and reducing water yield and timber productivity. USDA and DOI have developed the concept of fire regime condition class as an indicator for the degree to which changes in vegetation have increased the likelihood of forest areas to burn catastrophically. Using streamlined procedures to remove excess vegetation more efficiently can reduce the likelihood of dangerous fire behavior while restoring wildlife habitat, tree resistance to insects and disease, water flows, and the production of quality timber. Interdisciplinary teams of USDA specialists talk to communities when designing vegetation management actions to ensure that forest restoration projects enjoy a high level of public involvement and support. USDA also is working closely with DOI to develop performance measures to track the effectiveness of collaboration with local communities and activities that restore fire-adapted ecosystems.

The ecological functions of public lands are put at risk when excessive concentration of hazardous substances or toxic metals are present, as are the health and safety, of those working there or visiting. In FY 2004, USDA's ongoing environmental cleanup program reduced or eliminated environmental contamination on more than 20 sites. One of these cleanups resulted in the lifting of a fish-consumption warning. Another kept toxic metals-laden mining wastes from entering a salmon stream after a forest fire made the site highly erodible. A third removed 10,000 tons of soil contaminated by polychlorinated biphynyls (PCB).

In addition to this workload, the Department has devoted much effort to providing conservation leadership, technical assistance and financial assistance to the conservation of private lands through new and existing programs. USDA has accomplished much including:

- Allocated $5.2 billion for programs designed to improve forest and rangeland management, create healthier landscapes and reduce the risk of catastrophic fire;

- Helped develop more than 143,000 conservation plans through the Conservation Technical Assistance program, USDA's basic program for conservation of private lands;
- Designated $84 million to protect farm and ranch land through USDA's Farm and Ranch Lands Protection Program (FRPP). FRPP is designed to protect productive agricultural land by purchasing conservation easements to limit conversion of farm and ranch lands to non-agricultural uses;
- Provided $69.4 million to landowners through the Grassland Reserve Program, which enables recipients to protect, restore and enhance grasslands on their property;
- Provided nearly $32 million through the Environmental Quality Incentives Program (EQIP) to help farmers and ranchers with limited resources develop and maintain economic viability in their farm operations. EQIP is a voluntary program that offers financial and technical assistance to farmers and ranchers who face threats to soil, water, air and related natural resources on their land;
- Provided $15.5 million to address halt the spread of *Phytophthora ramorum*, or sudden oak death, to non-infested areas of the U.S. Sudden oak death is caused by a fungus and attacks trees and shrubs;
- Implemented Conservation Innovation Grants Program providing $14.25 million to fund the development and adoption of innovative technologies and approaches through pilot projects and conservation field trials; and
- Launched the Conseration Security Program providing $41 million in financial and technical assistance to 2,200 farmers and ranchers in 18 watershed in 22 states promoting the conservation and improvement of soil, water, air, energy, plant and animal life, and other conservation efforts.

OBJECTIVE 5.1: IMPLEMENT THE PRESIDENT'S HEALTHY FORESTS INITIATIVE AND OTHER ACTIONS TO IMPROVE MANAGEMENT OF PUBLIC LANDS

Exhibit 61: Resources Dedicated to Protect the Nation's Resource Base and Environment

USDA Resources Dedicated to Objective 5.1	FY 2004	
	Actual	Percent of Goal 5
Program Obligations ($ Mil)	$5,320.4	58%
Staff Years	38,266	70%

Introduction

USDA and DOI are aggressively implementing tools provided by the Healthy Forests Initiative (HFI) and authorities provided by HFRA. USDA, in collaboration with the U.S. Bureau of Land Management, now is using HFRA authorities to expedite planning for projects to reduce fire hazards. These projects largely consist of the removal of excess vegetation or controlled burning (collectively, hazardous fuel treatment) to reduce the risk from catastrophic wildfires that in 2004 alone burned more than 7 million acres. The integration of the fire hazard reduction program with other restoration programs and the overall increase in hazardous fuel treatment is the direct result of HFRA authorities and USDA leadership. USDA will continue to treat hazardous fuel as the primary method of protecting the Nation's natural base from wildland fire.

Overview

USDA is implementing HFI and HFRA through collaboration among Federal, State and local Governments, and non-Governmental organizations. The Department is using HFRA authorities to work with communities to develop Community Wildfire Protection Plans (CWPP) that reduce wildland fire hazard in areas surrounding communities. USDA's partners also are engaged in this process. The Western Governors' Association, the National Association of Counties, the Society of American Foresters, and the National Association of State Foresters (NASF) compiled the handbook *Preparing a Community Wildfire Protection Plan* to educate

communities about wildfire hazard mitigation and to organize communities to draft these plans and track accomplishments.

Other 2004 accomplishments include:

- More than 76 percent of the hazardous fuel treatments occurred in areas located near communities;
- Fuels reduction efforts significantly increased from 1.4 million acres in 2003 to 2.3 million acres in 2004 due to a streamlined procedures and a focused USDA commitment;
- Using authority provided under Title IV of HFRA, USDA currently has six landscape-scale research projects that are planned on nearly 3,000 acres. The purpose of these projects is to conduct landscape-scale applied research to address insect infestations and diseases; and
- Continued development of LandFire, an interagency landscape-scale fire, ecosystem and vegetation-mapping project. The information provided in LandFire will help land managers make informed decisions for reducing wildland fire risks across landscapes.

Selected Results in Research, Extension and Statistics

Effects of Changes in Fuel Structure on Fire Behavior—A major goal of both the National Fire Plan and the Healthy Forests Initiative is to reduce the potential for uncharacteristically severe fires by decreasing the levels of hazardous fuels, with a focus on forest ecosystems that were characterized historically by frequent, low-severity fires. The effectiveness and effects of various fuel treatments for restoring dry forests in the Western United States are summarized in a state-of-knowledge synthesis paper, which provides important guidance for hazard reduction activities. Major conclusions include:

- Fire behavior is strongly influenced by fuel structure and composition;
- Reducing surface and ladder fuels can decrease fire severity and the probability of crown fire substantially;
- A landscape approach is more likely to have significant overall impacts on fire behavior and suppression capability than an approach that treats individual stands in isolation.

Utilization of Forest Biomass—Important considerations in hazardous fuel reduction include developing practical methods for harvesting and using harvested biomass, and tools for evaluating the economics of biomass utilization. Forest Service (FS) researchers have developed several models to help managers and policy makers understand the potential to use fire hazard reduction treatments to meet energy needs, and to evaluate the economics of biomass utilization. The Fuel Treatment Evaluator is a Web-based tool to help assess the biomass potential from forests. This tool allows users to identify and prioritize hazardous fuel reduction opportunities in forests based on forest condition, the need for thinning and proximity to the wildland-urban interface. Research evaluation of a new biomass bundling machine indicates that it can be a cost-effective forest management tool, which reduces fire risk, avoids prescribed fire limitations, improves storage life of residues and improves the recovery of biomass for utilization. Researchers also are working with business owners to help promote local uses of small diameter lumber.

Study Reveals Cause of Disease in Beneficial Insects—The mystery behind the decline of beneficial biocontrol weevils that help control the invasive weed water hyacinth in Florida has been solved by USDA scientists. They found that a microorganism is killing the weevils and reducing their reproductive capacity. The two closely related South American weevils have been used since the 1970s to control water hyacinth. Water hyacinth is an aquatic weed that clogs waterways, displaces native vegetation and degrades wildlife habitats in Florida. The weevils are mass-reared and, once released, feed on the weed and help prevent it from spreading. Recently, the weevils' effectiveness had been declining for unknown reasons. The scientists attributed the decline to a disease caused by the microorganism *microsporidium*. Tests determined that a recently discovered, still unnamed, *microsporidium* was decreasing weevil survival rates by 30 percent and reducing their reproductive capacity. The study's findings demonstrate the importance of selecting disease-free organisms for biological control programs. If it is determined to be economically practical to treat weevil colonies, researchers will work at developing a method to cure them of the disease.

Forest Carbon Dioxide Sequestration— University of Wisconsin-Madison forest ecologists and USDA scientists are conducting a unique outdoor study on land in northern Wisconsin. The research reveals how increases in carbon dioxide and ozone impact forests and global climate change. Scientists are studying how quaking aspen, paper birch and sugar maple – major components of forests that cover much of the Northeast U.S. – respond to the levels of carbon dioxide and ozone expected by 2050. The initial results show that aspen and birch grew 20 percent to 28 percent faster with elevated carbon dioxide than they did in the reference area. In contrast, adding just ozone decreased aspen and birch growth by 20 percent to 26 percent, and the gas' combined effects on growth offset each other when both are elevated. The results suggest that these trees will not slow the rising carbon dioxide level unless ozone pollution is controlled.

Serving the Public

Hazardous fuel reduction treatments help protect life and property by reducing the intensity of wildland fires. In recent years, the U.S. has consistently experienced some of the worst wildfire seasons on record. In 2002, wildland fires burned 7.2 million acres, nearly double the 10-year average. In southern California's "October 2003 Fire Siege," more than 750,000 acres erupted in flames, claiming 24 lives and destroying 3,710 homes. This ongoing trend of catastrophic wildfire seasons indicates that the USDA, along with all other land-management agencies, must increase efforts to reduce fire hazards using hazardous fuels funds. Reduction of excess vegetation decreases fire hazards while also improving firefighter and public safety. In 2004, USDA treated 2.5 million acres to remove excess vegetation. Approximately 1.7 million of these acres were treated specifically to reduce fire hazardous fuels funds. An additional 700,000 acres were treated using other restoration and rehabilitation programs (i.e., wildlife habitat, watershed, timber and pest management that also reduced fire hazards). To maintain this level of accomplishment in 2005 and reduce the risk of future catastrophic wildland fires, USDA must use available resources to work collaboratively with all Federal, State and local entities.

Challenges for the Future

Future challenges include ensuring public and firefighter safety while protecting lands, which still are threatened by fire in forests dense with vegetation and fuel. Additional challenges are the continued drought conditions in many western states and the expansion of communities into previously uninhabited wildlands (the wildland-urban interface). While the number of USDA-managed acres impacted by wildland fire fell dramatically from 2003 to 2004 by 900,000 acres, the historical trend is for increasing impact from wildland fire. As drought continues and communities expand into forested areas, the potential increases for even more deadly and damaging fires. Other challenges include the cost of containing wildfires.

Existing hazardous fuel treatment performance currently is based on outputs of acres treated and the number of acres treated as result of local collaboration. The Office of Management and Budget (OMB) Performance Assessment Rating Tool (PART) determined in 2002 that the Wildland Fire Management Program did not demonstrate results based on lack of baselines and targets for recently created performance measures developed as a result of the "10-year Comprehensive Strategy for the National Fire Plan." Research has shown that treatments to remove excess vegetation for fire and restoration purposes can impact the size and behavior of wildland fires dramatically. The current performance measures for hazardous fuel treatment do not capture the results of treatments on the landscape. They track acres treated as an output measure. USDA and DOI recognize the need to develop a new performance measure that demonstrates the impact of treatments beyond the direct area treated. This new performance measure is being developed as part of a pilot process to prioritize treatments for hazardous fuel reduction and restoration of fire-adapted ecosystems at the landscape scale. For more information on the PART, visit www.whitehouse.gov/omb/budget/fy2004/pma/usdawildlandfire.pdf.

Recent research has identified 73 million acres administered by USDA and 59 million acres of privately-owned forest land at high risk of ecologically destructive wildland fire. Commercial utilization of excess vegetation has been identified as one way to lower the cost of Government forest fuel-reduction treatments through cooperation with private enterprise. A barrier to expanding forest biomass utilization is the limited market for this material because of reduced forest products processing capacity in much of the Western U.S. Much of this material is small diameter and non-traditional species. This factor presents a further barrier to utilization where forest products processing capacity remains. Title II of HFRA authorizes measures to further commercial use of

biomass. A significant challenge for USDA and DOI is to expand the acreage of hazardous fuel and restoration treatments with available funding by increasing the commercial utilization of hazardous fuel. USDA and DOI hope to promote the increased use of biomass as a domestic source of energy, and are developing a strategy to encourage biomass utilization.

KEY OUTCOME: REDUCE THE RISK FROM CATASTROPHIC WILDLAND FIRE

Implementing the President's Healthy Forest Initiative and other actions to improve management of public lands involves the integration of several key USDA programs that manage vegetation. The hazardous fuel reduction program is a key piece of the effort to implement HFI and HFRA. Strategically placed treatments by USDA and partners will continue to increase the Department's ability to protect communities by reducing fire size and altering fire behavior.

Exhibit 62: Hazardous Fuel Reduction

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
5.1.1	Number of acres of hazardous fuel treated that are in the wildland urban interface (WUI).	1,000,000	1,736,000	Exceeded
5.1.2	Number of acres of hazardous fuel treated that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the wildland urban interface (WUI).[1]	259,000	531,000	Exceeded

[1] Fire regime condition class is an indicator for the degree of departure of forest areas from historical vegetation and disturbance patterns.

Analysis of Results

USDA exceeded its 2004 performance goals for protecting the health of the Nation's forests and other public lands through aggressive pro-active efforts. These increased efforts have significant value to all Americans. They protect human life and whole communities that reside in areas adjacent to national forests and other public lands. The 2.3 million acres treated in FY 2004 exceed the Department's FY 2004 goal by more than 80 percent. Improved management tools and favorable weather conditions allowed teams to treat significantly more at-risk acreage. Overall accomplishment for hazardous fuel treatments increased 61 percent from 1.4 million acres in FY 2003 to 2.3 million acres in FY 2004. The increase in accomplishment above the FY 2004 target also resulted from improvements in fire regime condition class that protect communities and resources from wildland fire on 636,000 acres due to activities to restore forest health, wildfire habitat, watershed condition, and timber productivity in fire-adapted ecosystems.

In FY 2005, USDA plans to reduce fire hazard on 1.8 million acres using direct funding, and on an additional 700,000 acres as a secondary benefit from other management activities. The USDA Strategic Plan proposes that the Department treat 11 million cumulative acres by FY 2007. The successes of FY 2004 moved USDA well on its way toward meeting this goal.

Exhibit 63: Trends in Treatment of Hazardous Fuel

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Number of acres of hazardous fuel treated that are in the WUI.	N/A	611,551 Baseline	764,364	1,114,106	1,736,000
Number of acres of hazardous fuel treated that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI.	N/A	N/A	N/A	293,127 Baseline	531,000

USDA tracked hazardous fuel treatment with a single performance measure for all treatment activities prior to FY 2001 and initiation of the National Fire Plan. In FY 2001, USDA began to track fire hazard reduction in the wildland-urban interface (WUI). In FY 2003, an additional performance measure based on fire regime condition

class was established to track treatment on forests more susceptible to catastrophic wildland fire because of excess vegetation resulting from fire exclusion. Performance in FY 2004 includes the contribution of improved fire regime condition class resulting from resource restoration activities, in addition to direct hazardous fuel reduction treatments.

Management Challenge

The USDA Office of Inspector General has identified the FS internal control structure as a management challenge. (Appendix A contains the Office of the Inspector General's report on USDA's major management challenges.) In response to this challenge, FS is planning to:

- Develop and implement a national schedule of internal program reviews for FY 2005 and FY 2006 that ensures high priority, agency-wide issues are addressed;
- Conduct comprehensive risk assessments for FS programs and develop plans to address identified risks;
- Provide consolidated report of review findings to USDA by July 31, 2005, and develop a process to monitor actions to address "significant" review findings;
- Conduct annual reviews/analyses to ensure funding is spent as intended for higher priority agency programs (e.g., National Fire Plan, fire rehabilitation program); and
- Continue making progress towards implementing the agency-wide, comprehensive, Performance Accountability System, thereby improving implementation of the Government Performance and Results Act of 1993 (GPRA).

OBJECTIVE 5.2: IMPROVE MANAGEMENT OF PRIVATE LANDS

Exhibit 64: Resources Dedicated to Improving Management of Private Lands

USDA Resources Dedicated to Objective 5.2	FY 2004 Actual	Percent of Goal 5
Program Obligations ($ Mil)	$3,834.2	42%
Staff Years	16,407	30%

Introduction

Non-Federal land makes up almost 70 percent of the total area of the U.S. The vast majority of that land is privately owned cropland, rangeland, pastureland and forestland. Millions of individuals are responsible for making decisions on the use and management of those lands. Their decisions form the foundation of a substantial and vibrant agricultural economy that provides food and fiber for the Nation. The productive and sustainable use of natural resources or private lands, therefore, is a vital goal for the nation. Achieving the dual goals of a productive and profitable agricultural sector and a high-quality environment requires good management based on sound science and practical technology. Good management helps sustain the productive capacity of these important agricultural lands. In 2004, USDA helped producers develop conservation plans for 35.5 million acres, providing producers with a management tool to know the capability of their soils, condition of their rangeland and woodlands, and requirements for irrigation. This provides the land user with the knowledge on how best to use the land to continue supporting healthy plant, animal and human communities. USDA's most recent inventory of resource conditions on non-Federal lands indicated that progress in controlling erosion is being maintained and that the loss of wetlands has been halted. USDA's technical assistance to agricultural producers has been key in helping them address both these resource concerns.

Overview

USDA helps farmers and ranchers improve their management of the soil, water and related resources on non-Federal lands. In 2004, the Department worked with natural resource managers to maintain and improve land productivity and environmental quality by providing:

- Technical assistance tailored to the needs of individual farmers and ranchers;
- Financial assistance in the form of cost shares and incentive payments to apply key practices on working land; and
- Easements and rental payments to protect sensitive land.

USDA also provides technical and financial assistance to State agencies to help non-industrial private forest landowners better manage, protect and utilize their forest resources. Additionally, USDA provides research, technology development, resources inventory and assessment programs. These USDA activities provide the information and effective tools resource managers need to be good stewards of the Nation's land and water.

In 2004, the Department provided technical assistance to hundreds of thousands of producers in planning and applying conservation to better manage their soil and water resources. The Department's assistance helped managers of private lands maintain soil quality, protect water and air quality, and enhance wildlife habitats.

Selected Results in Research, Extension and Statistics

New Method Can Boost Yields, Lower Fertilizer Use—Grain crop farmers who need to know how much nitrogen fertilizer to apply to the soil could save money and protect the environment. This is being made possible by a fertilizer-application method recently developed by USDA scientists and cooperators at the University of Missouri-Columbia. Grain farmers usually use the "yield-goal" method to determine how much nitrogen to use based on the estimated yield. The researchers have completed a large-scale study on corn showing that farmers who use this method may be losing per-acre profit and using too much nitrogen. Yield was found to be a poor predictor of how much nitrogen was needed because it is hard to determine the season's yield months before harvest. Additionally, the method does not consider changes in weather or the soil variability within fields. Using new methods, the researchers found that yield only accounts for about 15 percent of what is known as corn's "economically optimal nitrogen fertilizer rate (EONR)." It was discovered that, if farmers could grow corn knowing the EONR and how it varies within fields, on average they could make $15 more per acre, than if they allocated fertilizer by the yield-goal formula. This figure excludes costs associated with determining EONR and variable-rate fertilizer application. This increase in profit would come from both higher yields and less fertilizer.

Old Soil Study Uncovers Value of Long-term Nitrate Research—A second look at a USDA experiment completed nearly 30 years ago demonstrated that short-term studies cannot reveal the value of conservation efforts to correct such problems as the contamination of soil and groundwater by nitrates. USDA soil scientists found that nitrate applied during the experiment, conducted between 1969 and 1974, apparently took nearly 30 years to move through soils and reach a 70-foot-deep water table. In the original study, conducted on a 74-acre field in western Iowa, fertilizer was applied to soil at three times the normal rate. The resulting soil nitrate concentration was tracked for the next decade. In 1996, USDA scientists were preparing to monitor groundwater for a new experiment when they detected the nitrate from the old experiment 60 feet deep in the soil. Leaching of nitrate from agricultural fertilizers has been linked to such concerns as drinking-water quality and hypoxia, a condition in which water bodies contain low oxygen amounts. While farmers are being encouraged to use nitrogen more efficiently, resulting environmental improvements have been difficult to document using studies lasting just two to four years. These new findings indicate that the benefits of application of a conservation practice within a watershed may not be apparent for several decades. Efforts to determine the cost-effectiveness of public conservation programs must take this into account.

USDA's Gentle, But Tough, Termiticide Now Patented—USDA scientists have patented a new toxic bait that is tasty to termites but designed to eradicate them. Formosan subterranean termites alone cost Americans about $1 billion annually in control and repair costs. The new termiticide contains low concentrations of naphthalene, a solvent commonly used in mothballs. USDA researchers have found that, even

at low doses, the termiticide helps control native Eastern subterranean termites as well as the more notorious Formosan subterranean termite. The researchers were seeking replacements for wood preservatives that contain heavy metals, such as arsenic, chromium and copper. Their research found that certain naphthalenic compounds prevented wood decay *and* killed native termite colonies. USDA incorporated the naphthalenic compounds into a cellulose-based matrix, slow-acting toxic bait that appeals to termites' taste buds, which encourages wider distribution throughout the colony. Because they are effective at low doses, the termite-killing compounds are both environmentally friendly and cost-effective.

Water Treatment Residues Curb Phosphorus Runoff—Residue from water-treatment plants, often discarded as waste into landfills, may instead provide an effective means of preventing phosphorus runoff from farms. USDA scientists are studying an alum-based water treatment residual that increases the soil's capacity to bond phosphorus, a vital plant nutrient. The studies may especially benefit States along the mid- to southern-Atlantic seaboard. In these regions, sandy soils generally absorb and hold less phosphorus. Increased absorption of phosphorus would curb runoff of this important nutrient. Phosphorus runoff can lower the oxygen content of water bodies and spoil the taste of drinking water. Applying this residue would be especially useful for livestock operators. Phosphorus in manure makes agricultural facilities, such as large livestock production operations, potential sources of runoff pollution.

Environmental Compliance—In 2004, USDA released a report on environmental mechanisms, *Environmental Compliance in Agriculture: Past Performance and Future Potential*. Since 1985, U.S. agricultural producers have been required to practice soil conservation on highly erodible cropland and conserve wetlands as a condition of farm program eligibility. Evidence suggests that these requirements have helped reduce soil erosion and preserve wetlands. Extending compliance to nutrient management in crop production could yield additional environmental gains.

Regulations for Land Application of Manure from Confined Animal Feeding Operations—USDA analysis played an important role in the design of the recent EPA water-quality regulations for confined animal-feeding operations. As a result of the Department's analysis comparing costs and effectiveness on land applications of animal waste, EPA shifted to a more cost-effective option in its final regulations.

Reducing Runoff—Several USDA-supported studies resulted in promising means to reduce runoff. Nonpoint source pollution often comes from hardscapes, such as asphalt and concrete roads and drives. Impervious surfaces intensify storm water runoff, prevent rain from replenishing underground water reservoirs and trap warmth that heats up cities. In Florida, where 100,000 new homes are built annually, USDA is helping to minimize the environmental impact of these homes. In one effort, nearly 6,000 acres of an 11,000-acre project will remain a sanctuary for local flora and fauna. Wisconsin researchers identified ways for builders to reduce the amount of hardscape on a site by 30 percent by making modest changes. Ohio State University students and faculty helped reduce runoff into the Olentangy River watershed located in central Ohio by installing bioswales–engineered stretches of grass, plants, trees and bushes that filter storm water runoff. The successful use of bioswales will allow more than 250 Ohio communities to comply with Federal runoff mandates.

Serving the Public

Farmers, ranchers and private forest and other landowners manage two-thirds of the Nation's land. They are the primary stewards of U.S. soil, air and water. USDA assists them in adopting environmentally sound management practices and provides information on soil quality, water management, water quality, plant materials, resource management and wildlife habitat. Additionally, USDA assists landowners and land managers in using this information to implement sustainable production techniques. Those who receive technical assistance are more likely to plan, apply and maintain conservation systems that support agricultural production and environmental quality as compatible goals. In 2004, the Department assisted people in developing conservation plans for 32.4 million acres of cropland and grazing lands and creating or restoring 1.7 million acres of agricultural wetlands.

USDA's technical experts help people in communities work together to protect their shared environment. The assistance provided to State and local governmental entities, Tribes and private sector organizations helps them protect the environment and improve the standard of living and quality of life for the people they represent.

USDA conducts research and develops and transfers technology, including conservation standards, specifications and guidelines for conservation practices. The Department also collects and disseminates data on water and soil conditions and related resources. The information and technical tools USDA develops and provides to resource managers help sustain natural resources. Department information reaches a wide and diverse audience, with increasing emphasis on electronic communications technology.

Challenges for the Future

Greater population densities exert greater pressures on the environment. As the landscape becomes a more and more dense mosaic of developed areas scattered within agricultural forested land, the need for conservation increases while the options available to producers may be constrained. USDA will continue to work with producers and its conservation partners to successfully implement conservation practices and to preserve the Nation's resources and environment.

KEY OUTCOME: MAINTAIN THE PRODUCTIVE CAPACITY OF THE RESOURCE BASE AND QUALITY OF THE ENVIRONMENT

Privately owned cropland, grazing lands and forestland represent a substantial and vibrant agricultural economy that provides food and fiber for the Nation. In FY 2004, USDA's conservation programs helped producers maintain the productive capacity of 32.4 million acres through development and implementation of conservation plans on cropland and grazing land that help support healthy and productive plant, animal and human communities. In addition, the conservation applied with USDA assistance in past years continues to protect the landscape.

The basis for sound management of agricultural land is a conservation plan that helps each producer manage a specific production unit. Each producer needs to know the capabilities of the soil of the farm's fields and the condition of rangeland and woodland that is part of the operation. In areas where irrigation is practiced, producers also need forecasts of water supply to plan the year's crops. In FY 2004, USDA continued to increase emphasis on helping producers develop technically sound plans to provide a framework for their activities.

The extent of land on which producers have developed a conservation plan is an indicator of the amount of land on which producers are trying to be good stewards. Plans developed in one year are typically applied in following years. The extent of land on which producers have actually applied the practices planned is an indicator of progress toward protecting soil, water, and related resources.

USDA's Conservation Operations provides the basic resource inventory data, technical tools and comprehensive-planning approach producers need to manage their soil and water resources well. The Conservation Technical Assistance (CTA) Program is the primary avenue through which USDA assists agricultural producers and other land managers to plan environmentally and economically sustainable operations. USDA provides technical and financial assistance to apply conservation practices through the Environmental Quality Incentives Program (EQIP) and other programs authorized by FSRIA. In FY 2004, USDA worked hard to ensure that this increasing level of public investment in conservation was directed to solving high priority resource concerns.

Exhibit 65: Maintain the Productive Capacity of the Natural Resource Base and the Quality of the Environment

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
5.2.1	Conservation plans written for cropland and grazing lands (Mil acres)	31.7	32.4	Met
5.2.2	Cropland and grazing lands with conservation applied to protect the resource base and environment (Mil acres)	26.8	27*	Met

*Preliminary results. Actual shown includes cropland and grazing lands where conservation was applied with all NRCS programs.

Analysis of Results

USDA met its FY 2004 goals for helping producers plan for conservation efforts on the Nation's private lands. Conservation plans are essential to good management of soil and water resources. A conservation plan describes the schedule of operations and activities needed to solve natural-resource problems and take advantage of opportunities. Conservation planning helps individual managers consider their operations within the larger landscape of which a farm or ranch is a part. It also helps land managers consider the effects of their actions on that wider environment. They can avoid actions that would damage natural resources offsite while meeting their economic targets for the operation.

Reported performance for the FY 2004 measure for conservation plans is higher than the target and the baseline year. This increase is caused by several factors. It is partly the result of a change in how the measure was defined in FY 2004 and in the system for reporting performance in FY 2004 compared to earlier years. It also results from the increased public investment in conservation authorized by FSRIA, which is motivating farmers and ranchers to ask for more assistance in conservation planning.

While the target for application of conservation appears to have been met, final analysis of the data is incomplete. Analysis is needed to estimate the performance at the program level rather than in total. It is possible that the analysis will find that performance for the two programs on which the target is based was less than projected. For FY 2005, the agency has implemented further refinements to its accountability system to ensure progress on program specific targets can be monitored and costs documented. The availability of technical expertise to help producers get conservation on the land is a major determinant of the rate at which producers can act. In FY 2004, USDA continued to encourage technical assistance providers in the private sector to come forward to help USDA implement its conservation programs.

The long-term goal is to have a land-management system that leads to a high productive capacity for future generations. This would come while people today continue to enjoy the benefits of a high-quality environment and an economically healthy agricultural sector that produces abundant supplies of food and fiber.

Annual targets for the assistance USDA will provide for planning and application are based on data about resource condition and trends. This information was developed in resource inventories and covers priorities identified in local, State and national plans. Conservation needs and available program resources are evaluated to establish feasible annual targets.

Exhibit 66: Trends in Planning and Application of Improved Management of Cropland and Grazing Lands

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Conservation plans written for cropland and grazing lands (Mil acres)[1]	14.9	15.2	13.1	31.4 Baseline	32.4
Cropland and grazing lands with conservation applied to protect the resource base and environment (Mil acres)[2]	19.5	24.5 Baseline	23.8	26.0	27

[1] Includes all planning reported as assistance provided through the CTA. Data for FY 2000-2002 are not comparable to later years. In FY 2003, policy on planning was revised and reporting instructions were clarified.

[2] Data for FY 2002 and 2003 include only land where conservation was applied with assistance from the Conservation Technical Assistance program or Environmental Quality Incentives Program.

USDA's strategic plan for FY 2002-2007 set a strategic goal of helping producers apply needed conservation treatment on 130 million acres during that period. For the FY 2002-2004 period, USDA had provided assistance to improve management on nearly 77 million acres.

A major challenge is to develop a practical and reliable tool to document the effects of conservation practices on water and air quality. Better knowledge will enable USDA to focus programs on the most serious problems. By the end of FY 2005, we expect to have this analytical system in place to estimate the effects of specific

conservation practices on cropland health. It also will study the effects of the movement of sediment, nitrogen and phosphorus from agricultural operations.

KEY OUTCOME: ENSURE DIVERSE WILDLIFE HABITATS

Wetlands are among the most biologically diverse areas on earth. They provide habitat for a rich mixture of plants and animals, including many rare and endangered species. Wetlands also protect shorelines, filter impurities from water, help control floodwaters, regulate water flow and decrease soil erosion. Since the early 1980's, USDA has focused increasing attention to protecting wetlands. The strategy for protecting wetlands and wetland wildlife habitat relies heavily on encouraging private landowners to protect wetlands under long-term or permanent easements offered through USDA's Wetlands Reserve Program. This is a voluntary conservation program that offers landowners the means and opportunity to protect, restore and enhance wetlands on their property with the financial assistance of USDA. The Department also requires agricultural producers to protect wetlands to participate in other USDA programs.

Exhibit 67: Ensure Diverse Wildlife Habitats

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
5.2.3	Agricultural wetlands created or restored through the Wetlands Reserve Program (WRP) (Mil acres)	1.7	1.7	Met

Analysis of Results

The target for the measure was met. The Wetlands Reserve Program is very popular and consistently enrolls the target number of acres. The program has shown a steady climb in enrollment of acres by increasing by approximately 200,000 acres a year since FY 2001. The program also is efficient. A recent internal evaluation indicated that the cost of acquiring easements has remained relatively stable. It has risen only in response to increasing prices of agricultural land.

In 1990, the U.S. set a goal of preventing any net loss of wetlands. USDA's 2002 National Resources Inventory found that our Nation is achieving this goal on agricultural land. Much of the prevention of loss resulted from USDA's efforts to help people restore wetlands and discourage their conversion to agricultural uses.

The performance measure reported here includes the wetlands and associated uplands that have been protected and restored under easements or agreements. Adjacent uplands are included in the program where necessary to preserve the wetland's health. The measure represents the program's cumulative accomplishments to date. The majority of land protected through this program is under permanent easement, ensuring that the ecosystem will be maintained in perpetuity. In addition to permanent easements, the program offers producers the options of 30-year easements and of cost-share agreements. FSRIA authorized an increase in the cumulative level for the program to 2.28 million acres, which is considered a long-term target. The Wetlands Reserve Program is the most important USDA program that protects wetlands.

Exhibit 68: Trends in Wetland Protection

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Agricultural wetlands created or restored through WRP. Million acres	0.9	1.1	1.3 Baseline	1.5	1.7

USDA anticipates that this upward trend in wetlands protection will continue. The President has set a new goal of increasing the acreage of wetlands. During the next 5 years, the new goal includes:

- Restoring and creating at least 1 million acres of wetlands;
- Improving the quality of at least 1 million acres of wetlands; and

- Protecting at least 1 million acres of wetlands.

The benefits of these outcomes will be enhanced by further efforts to improve associated uplands and river habitat. For example, ducks will have the wetland they need for food and dry land habitat nearby for nesting. USDA will work in cooperation with U.S. Departments of the Interior and Transportation, the U.S. Environmental Protection Agency, the Army Corps of Engineers and the National Oceanic and Atmospheric Administration to achieve the President's goals.

One challenge in wetlands protection is developing better tools for tracking wetlands status and values. Another is improving coordination among Federal agencies with a role in wetlands protection. Additionally, better coordination is needed on remote sensing and ground-level data collection on wetlands gain, loss and quality. USDA will continue to work with other federal agencies and conservation partners to ensure wetlands protection.

KEY OUTCOME: COMMUNITIES AND INDIVIDUALS PROTECTED AGAINST FLOOD RISKS AND BENEFITING FROM PRODUCTIVE USE OF WATER RESOURCES

USDA provides assistance in reducing flood damage within the context of comprehensive water-resources planning. The ability of water resources to meet the Nation's needs is an increasing concern across the Nation. Concerns focus on water quality and quantity. Comprehensive, locally led planning and management can ensure that watersheds provide adequate supplies of clean, well-managed water. USDA assists individuals, Tribes and communities with comprehensive water resources planning and management. The Department's programs provide technical and financial assistance to help local and State entities plan and implement projects. These projects are designed to protect water quality, improve its supply and enhance wildlife habitat. In FY 2004, all the Small Watershed protection projects completed with USDA assistance prevented an estimated $266 million in flood damage. USDA also helps local communities protect watersheds through its Conservation Operations Program, which provides basic resource inventory data on soil moisture and water supply forecasts and a comprehensive planning approach for addressing problems.

Exhibit 69: Communities and Individuals Protected Against Flood Risks and Benefiting from Productive Use of Water Resources

Annual Performance Goals and Indicators		Fiscal Year 2004		
		Target	Actual	Result
5.2.4	Reduction in average annual flood damage ($Mil)	16	16.5	Exceeded

Analysis of Results

This measure has exceeded its target. In FY 2004, the agency transitioned to a new reporting system for the water resources programs. The FY 2004 data in the new system provide a baseline for future years, but may not be comparable to earlier years. The value shown in the table is an estimate of the reported benefits that should be considered 2004 performance. This measure represents the results of the watershed protection projects completed during FY 2004. The measure includes the effects the new projects had on losses that floods caused to agriculture. Flood prevention projects provide protection for many years. The planned life of a floodwater retarding structure is generally 50 years. The number in the table will not include the total value of assets protected by projects completed in earlier years that figure is far higher. In FY 2004, for example, the agriculture flood reduction of all projects in operation totaled more than $266 million. Most of these watershed-protection projects have multiple purposes and provide benefits such as water supply, wildlife habitat and recreation as well as flood damage reduction.

USDA helps communities plan the use of watersheds and flood plains to provide benefits and protect property values. This benefits all residents. The table below shows the annual savings in flood damage that were provided by watershed protection projects completed during each of the fiscal years. That is, it shows the annual

increase in benefits rather than the total annual flood reduction benefits of USDA's programs. These benefits are provided by:

- Building structures;
- Planning local and land use;
- Treating critical areas;
- Purchasing easements; and
- Developing and implementing early-warning and emergency response plans.

Exhibit 70: Trend in Flood Damage Reduction

Trends	Fiscal Year Actual				
	2000	2001	2002	2003	2004
Reduction in average annual flood damage ($Mil)	NA	21	22 Baseline	20	16.5

Working with individuals and communities to help reduce the risk of flood damage is a continuing process. Progress toward the goal of meeting the needs for flood damage protection in a consistent and thorough manner is challenged by many factors. One is development in flood prone areas, which increases the number of individuals and communities at risk.

USDA has provided technical and financial assistance to local sponsors in the development of water resources since the 1940s. Nearly 2,000 projects cover 140 million acres and include a network of 10,000 small watershed structures across the U.S. These projects help prevent and relieve flooding to protect human health and safety. They also have contributed to flood protection and improving water quality and supplies. This creates wildlife habitat and provides recreational opportunities.

Many of the current structures designed to protect individuals and communities from flood risks are nearing the end of their life cycles. More than 1,000 of these structures will require rehabilitation or other action to ensure public health and safety within the next 10 years. USDA is working with the local sponsors who own these structures to assess the risks and either rehabilitate or decommission their structures.

In the next few years, USDA will continue activities to assist producers to adopt comprehensive conservation systems that enable them to meet their production goals while fully protecting the health and quality of natural resources including soils and grazing land ecosystems. USDA will focus on providing the technical assistance and technology to enable local people to plan comprehensive, wide area planning to meet their goals. USDA also will continue to focus on helping producers to comply with federal, state, and local regulations for protecting the environment and to practice a level of stewardship that makes regulation unnecessary.

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FISCAL YEAR 2004 PROGRAM OBLIGATIONS INCURRED

The following table depicts the component agencies and staff offices of the U.S. Department of Agriculture with total program level dollars for each account allocated to each objective. The program level dollars are displayed in millions and have been rounded to the nearest tenth. An account's funding was allocated to more than one objective when the amount for each objective was significant and could be identified. The table provides a general indication of the funding dedicated to each objective. Staff office and departmental management accounts generally support all USDA objectives and, in most cases, have been reallocated equally among all strategic objectives.

Exhibit 71: USDA Program Obligations

USDA FY 2004 Program Obligations (Dollars in Millions)

Agency	Account	Program Obligations	1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2
OSEC	Office of the Secretary	23.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
OCFO	OCFO	11.5	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
	Working Capital Fund	261.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1
OCIO	OCIO	56.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
	Common Computing Environment	212.7	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4	16.4
DA	Agriculture Buildings and Facilities Rental Payments	178.1	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	0
	Departmental Administration	37.2	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
	Hazardous Materials Management	17.3	-	-	-	-	-	-	-	-	-	-	-	17.3	-
OCR	Office of Civil Rights	21.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
OC	OC	9.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
OIG	OIG	80.0	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
	IG Assets Forfeiture Funds	1.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
OGC	OGC	36.0	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
OCE	OCE	11.4	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
NAD	NAD	13.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
OBPA	OBPA	7.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
HSS	Homeland Security Staff	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ERS	Economic Research	72.7	12.4	4.4	4.4	16.0	3.6	5.1	1.5	2.2	2.9	2.9	5.8	-	11.6
NASS	NASS	146.9	103.1	-	-	7.6	28.9	-	-	3.1	-	-	-	-	4.1
ARS	ARS Salaries and Expenses	1,160.0	-	-	109.0	-	-	-	109.0	656.6	-	104.4	-	90.5	90.5
	Buildings and Facilities	160.5	-	-	15.1	-	-	-	15.1	90.8	-	14.4	-	12.5	12.5
	ARS-No Year Funds	13.6	-	-	1.3	-	-	-	1.3	7.7	-	1.2	-	1.1	1.1
CSREES	Extension Activities	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-	0.1	-	0.1	0.1
	Research and Education Activities	624.2	56.2	56.2	81.1	18.7	18.7	18.7	43.7	87.4	-	49.9	-	96.8	96.8

USDA FY 2004 Program Obligations (Dollars in Millions)															
Agency	Account	Program Obligations	1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2
CSREES (cont'd)	Integrated Activities	52.0	0.1	0.1	0.6	0.6	0.6	0.6	4.2	25.0	-	7.3	-	6.8	6.2
	Initiative for Future Agriculture & Food Systems	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	-	0.0	0.0
	Native Americans Institutions Endowment Fund	1.9	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	-	0.3	0.3
	Native Americans Institutions Endowment Fund - Feeder Account	8.9	0.6	0.4	0.8	0.4	0.4	0.4	0.4	1.1	0.7	0.8	-	1.4	1.4
	Community Food Projects	5.0	-	-	-	-	-	-	-	-	-	-	5.0	-	-
	Section 2501	6.2	1.6	-	1.6	1.6	-	-	-	1.6	-	-	-	-	-
	Risk Management	5.0	-	-	-	5.0	-	-	-	-	-	-	-	-	-
	Biodiesel Fuel Education Program	1.0	-	-	1.0	-	-	-	-	-	-	-	-	-	-
APHIS	Salaries and Expenses	1,149.2	137.9	-	-	-	-	-	-	1,011.3	-	-	-	-	-
	Buildings and Facilities	16.2	-	-	-	-	-	-	-	16.2	-	-	-	-	-
	Trust Funds	2.1	-	-	-	-	-	-	-	2.1	-	-	-	-	-
FSIS	FSIS-Salaries & Expenses	774.7	-	-	-	-	-	-	774.7	-	-	-	-	-	-
	FSIS-No Year Funds	139.0	-	-	-	-	-	-	139.0	-	-	-	-	-	-
	Trust Funds	3.6	-	-	-	-	-	-	3.6	-	-	-	-	-	-
GIPSA	Salaries and Expenses	39.4	16.2	0.8	2.0	17.3	3.2	-	-	-	-	-	-	-	-
	Inspection and Weighing Services	36.9	36.9	-	-	-	-	-	-	-	-	-	-	-	-
AMS	Marketing Services	77.5	77.5	-	-	-	-	-	-	-	-	-	-	-	-
	Payments to States and Possessions	3.3	3.3	-	-	-	-	-	-	-	-	-	-	-	-
	Perishable Ag. Commodities Act Fund	9.7	9.7	-	-	-	-	-	-	-	-	-	-	-	-
	Funds for Strengthening Markets/Income/Supply	875.1	875.1	-	-	-	-	-	-	-	-	-	-	-	-
	Wool Research Development and Promotion Trust Fund	2.2	2.2	-	-	-	-	-	-	-	-	-	-	-	-
	Expenses & Refunds, Inspection & Grading of Farm Products	169.0	169.0	-	-	-	-	-	-	-	-	-	-	-	-
RMA	Administrative and Operating Expenses	71.0	-	-	-	71.0	-	-	-	-	-	-	-	-	-
	Federal Crop Insurance Corporation Fund	4,090.7	-	-	-	4,090.7	-	-	-	-	-	-	-	-	-
FSA	Salaries and Expenses	1.0	-	-	-	1.0	-	-	-	-	-	-	-	-	-
		1,273.7	-	31.8	1,076.3	-	-	-	-	-	-	-	-	-	165.6
	Salaries and Expenses /Transfer to CCC	115.1	-	-	94.4	-	-	-	-	-	-	-	-	-	20.7
	State Mediation Grants	4.0	-	-	-	4.0	-	-	-	-	-	-	-	-	-

USDA FY 2004 Program Obligations (Dollars in Millions)															
Agency	Account	Program Obligations	1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2
FSA (cont'd)	Agricultural Credit Insurance Fund (Prog.)	491.6	-	-	-	491.6	-	-	-	-	-	-	-	-	-
	Dairy Indemnity Program	0.6	-	-	-	0.6	-	-	-	-	-	-	-	-	-
	Emergency Conservation Program/Transfer to CCC	26.7	-	-	-	26.7	-	-	-	-	-	-	-	-	-
	Tree Assistance Program/Transfer to CCC	4.0	-	-	-	4.0	-	-	-	-	-	-	-	-	-
	Agricultural Credit Insurance Fund	14.1	-	-	-	14.1	-	-	-	-	-	-	-	-	-
	Farm Storage Facility Loan Direct Financing Acct.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Farm Storage Facility Loan Direct Financing Acct.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ag. Conservation Guarantee Financing Acct.	1.2	-	-	-	1.2	-	-	-	-	-	-	-	-	-
	Agricultural Credit Insurance Fund-Direct (Fin.)	2,102.0	-	-	-	2,102.0	-	-	-	-	-	-	-	-	-
	Agricultural Credit Insurance Fund-Guar. (Fin.)	185.5	-	-	-	185.5	-	-	-	-	-	-	-	-	-
	CCC Apple Loans Direct Loan Financing Account	0.6	-	-	-	0.6	-	-	-	-	-	-	-	-	-
	CCC Export Loans Program Account	578.9	-	-	-	578.9	-	-	-	-	-	-	-	-	-
	CCC Export Loans Program Account (Admin.)	4.1	-	-	-	4.1	-	-	-	-	-	-	-	-	-
	Commodity Credit Corporation	24,839.5	-	-	2,980.7	21,858.8	-	-	-	-	-	-	-	-	-
	CCC Livestock Indemnity Program	0.3	-	-	-	0.3	-	-	-	-	-	-	-	-	-
	CCC Export Guarantee Financing Account	643.0	-	-	-	643.0	-	-	-	-	-	-	-	-	-
	CCC Export Guaranteed Loans Liquidating Account	1.1	-	-	-	1.1	-	-	-	-	-	-	-	-	-
	CCC Emergency Boll Weevil Direct Loan Financing Account	0.2	-	-	-	0.2	-	-	-	-	-	-	-	-	-
	CCC Emergency Boll Weevil Direct Loan Program Account	0.2	-	-	-	0.2	-	-	-	-	-	-	-	-	-
	CCC Farm Storage Facility Loans Program Account	0.9	-	-	-	0.9	-	-	-	-	-	-	-	-	-
NRCS	Conservation Operations	914.0	-	-	-	-	-	91.4	-	-	-	-	-	-	822.6
	Watershed Rehabilitation Program	29.0	-	-	-	-	-	29.0	-	-	-	-	-	-	-
	Biomass Research and Development Program	14.0	-	-	14.0	-	-	-	-	-	-	-	-	-	-
	Farm Security and Rural Investment Programs	1,577.0	-	-	-	-	-	-	-	-	-	-	-	-	1,577.0
	Resource Conservation and Development	53.0	-	-	-	-	-	26.5	-	-	-	-	-	-	26.5
	Watershed Surveys and Planning	10.0	-	-	-	-	-	4.0	-	-	-	-	-	-	6.0
	Watershed and Flood Prevention Operations	156.0	-	-	-	-	-	31.2	-	-	-	-	-	-	124.8

USDA FY 2004 Program Obligations (Dollars in Millions)															
Agency	Account	Program Obligations	1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2
	Wetlands Reserve Program	1.0	-	-	-	-	-	-	-	-	-	-	-	-	1.0
	Forestry Incentives Program	1.0	-	-	-	-	-	-	-	-	-	-	-	-	1.0
RD	Rural Community Advancement Program	925.0	-	-	-	-	277.5	647.5	-	-	-	-	-	-	-
	Salaries and Expenses	641.0	-	-	-	-	192.3	448.7	-	-	-	-	-	-	-
RHS	Rental Assistance Program	581.0	-	-	-	-	-	581.0	-	-	-	-	-	-	-
	Rural Housing Assistance Grants	44.0	-	-	-	-	-	44.0	-	-	-	-	-	-	-
	Mutual and Self-Help Housing Grants	35.0	-	-	-	-	-	35.0	-	-	-	-	-	-	-
	Rural Housing Insurance Fund (Prog.)	861.0	-	-	-	-	-	861.0	-	-	-	-	-	-	-
	Rural Housing Insurance Fund (Liq.)	285.0	-	-	-	-	-	285.0	-	-	-	-	-	-	-
	Rural Housing Insurance Fund Direct (Fin.)	2,469.0	-	-	-	-	-	2,469.0	-	-	-	-	-	-	-
	Rural Housing Insurance Fund-Guar. (Fin.)	129.0	-	-	-	-	-	129.0	-	-	-	-	-	-	-
	Rural Community Facility Loans-Direct (Fin.)	624.0	-	-	-	-	-	624.0	-	-	-	-	-	-	-
RHS (cont'd)	Farm Labor Housing	33.0	-	-	-	-	-	33.0	-	-	-	-	-	-	-
	Rural Community Facility Loans-Guar.(Fin.)	16.0	-	-	-	-	-	16.0	-	-	-	-	-	-	-
RBCS	Rural Cooperative Development Grants	40.0	-	-	-	-	40.0	-	-	-	-	-	-	-	-
	Rural Business Investment Program	1.0	-	-	-	-	1.0	-	-	-	-	-	-	-	-
	Renewable Energy Programs	23.0	-	-	-	-	23.0	-	-	-	-	-	-	-	-
	Rural Development Loan Fund (Prog.)	22.0	-	-	-	-	22.0	-	-	-	-	-	-	-	-
	Rural Economic Development Grants	11.0	-	-	-	-	11.0	-	-	-	-	-	-	-	-
	Rural Economic Development Loans (Prog.)	3.0	-	-	-	-	3.0	-	-	-	-	-	-	-	-
	Rural Economic Development Loans (Fin.)	21.0	-	-	-	-	21.0	-	-	-	-	-	-	-	-
	Rural Development Loan Fund-Direct (Fin.)	59.0	-	-	-	-	59.0	-	-	-	-	-	-	-	-
	Rural Business and Industry Direct Loans (Fin.)	4.0	-	-	-	-	4.0	-	-	-	-	-	-	-	-
	Rural Business and Industry Direct Loans-Guar.(Fin.)	144.0	-	-	-	-	144.0	-	-	-	-	-	-	-	-
	Rural Empowerment Zones/ Enterprise Communities	13.0	-	-	-	-	13.0	-	-	-	-	-	-	-	-
RUS	RETRF (Prog. Acct.)	391.0	-	-	-	-	273.7	117.3	-	-	-	-	-	-	-
	Rural Telephone Bank Program Account	4.0	-	-	-	-	2.8	1.2	-	-	-	-	-	-	-

USDA FY 2004 Program Obligations (Dollars in Millions)

Agency	Account	Program Obligations	1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2
RUS (cont'd)	Distance Learning and Medical Link Programs	68.0	-	-	-	-	47.6	20.4	-	-	-	-	-	-	-
	High Energy Cost Grants	31.0	-	-	-	-	21.7	9.3	-	-	-	-	-	-	-
	Rural Communication Development Fund	2.0	-	-	-	-	1.4	0.6	-	-	-	-	-	-	-
	Distance Learning Telemedicine Direct Loan (Fin. Acct.)	642.0	-	-	-	-	449.4	192.6	-	-	-	-	-	-	-
	Rural Development Insurance Fund (Liq. Acct.)	69.0	-	-	-	-	48.3	20.7	-	-	-	-	-	-	-
	Rural Telephone Bank (Fin. Acct.)	213.0	-	-	-	-	149.1	63.9	-	-	-	-	-	-	-
	RETRF (Fin. Acct.-Direct)	5,298.0	-	-	-	-	3,708.6	1,589.4	-	-	-	-	-	-	-
	Rural Water & Waste Disposal Loans (Direct Fin. Acct.)	1,479.0	-	-	-	-	1,035.3	443.7	-	-	-	-	-	-	-
	RETRF (Liq. Acct.)	929.0	-	-	-	-	650.3	278.7	-	-	-	-	-	-	-
	Rural Telephone Bank (Liq. Acct.)	49.0	-	-	-	-	34.3	14.7	-	-	-	-	-	-	-
	Appalachian Reg. Commission Transfer	17.0	-	-	-	-	11.9	5.1	-	-	-	-	-	-	-
FAS	Scientific Activities Overseas (Foreign Curr. Prog)	0.2	-	0.2	-	-	-	-	-	-	-	-	-	-	-
	Trade Adjustment Assistance for Farmers	78.7	78.7	-	-	-	-	-	-	-	-	-	-	-	-
	Salaries and Expenses	196.2	127.5	68.7	-	-	-	-	-	-	-	-	-	-	-
		5.3	3.4	1.9	-	-	-	-	-	-	-	-	-	-	-
		4.4	2.9	1.5	-	-	-	-	-	-	-	-	-	-	-
		12.6	8.2	4.4	-	-	-	-	-	-	-	-	-	-	-
	McGovern-Dole International Food for Education	149.2	-	149.2	-	-	-	-	-	-	-	-	-	-	-
	Title I Ocean freight Differential Grants	40.5	-	40.5	-	-	-	-	-	-	-	-	-	-	-
	P.L. 480 (Liq. Acct.)	2.5	-	2.5	-	-	-	-	-	-	-	-	-	-	-
	P.L. 480 (Prog.)	244.6	-	244.6	-	-	-	-	-	-	-	-	-	-	-
	P.L 480 Title II	1,669.3	-	1,669.3	-	-	-	-	-	-	-	-	-	-	-
	P.L. 480-Direct (Fin. Acct.)	262.7	-	262.7	-	-	-	-	-	-	-	-	-	-	-
	Debt Reduction (EAI) Fin. Acct.	278.4	-	278.4	-	-	-	-	-	-	-	-	-	-	-
FNS	Food Donations Programs	3.0	-	-	-	-	-	-	-	-	3.0	-	-	-	-
	Food Stamp Program	28,927.0	-	-	-	-	-	-	-	-	28,637.7	289.3	-	-	-
	Commodity Assistance Program	175.0	-	-	-	-	-	-	-	-	175.0	0	-	-	-
	Food Program Administration	142.0	-	-	-	-	-	-	-	-	84.5	7.8	49.7	-	-
	Special Supplemental Nutrition Program (WIC)	4,960.0	-	-	-	-	-	-	-	-	4,612.8	347.2	-	-	-
	Child Nutrition Programs	11,395.0	-	-	-	-	-	-	-	-	11,395.0	-	-	-	-

USDA FY 2004 Program Obligations (Dollars in Millions)															
Agency	Account	Program Obligations	1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2
FS	Land Acquisition Title VIII	8.1	-	-	-	-	-	-	-	-	-	-	-	8.1	-
	Capital Improvement and Maintenance	634.2	-	-	-	-	-	-	-	-	-	-	-	634.2	-
	Forest and Rangel and Research	326.0	-	-	-	-	-	-	-	-	-	-	-	326.0	-
	State and Private Forestry	390.7	-	-	-	-	-	-	-	-	-	-	-	78.1	312.6
	National Forest System	1,708.2	-	-	-	-	-	-	-	-	-	-	-	1,708.2	-
	Wildland Fire Management	1,811.9	-	-	-	-	-	-	-	-	-	-	-	1,739.4	72.5
	Payments to States	316.1	-	-	-	-	-	-	-	-	-	-	-	-	316.1
	Payments to States, Northern Spotted Owl Guarantee	4.9	-	-	-	-	-	-	-	-	-	-	-	4.9	-
	Management of National Forest Lands for Subsistence Uses	5.6	-	-	-	-	-	-	-	-	-	-	-	5.6	-
	Federal infrastructure Improvement	(0.2)	-	-	-	-	-	-	-	-	-	-	-	(0.2)	-
	Working Capital Fund	205.8	-	-	-	-	-	-	-	-	-	-	-	205.8	-
	Land Acquisition	92.9	-	-	-	-	-	-	-	-	-	-	-	92.9	-
	Recreation Fees for Collection Costs	0.8	-	-	-	-	-	-	-	-	-	-	-	0.8	-
	Federal Payment, Payments to States, National Forests Fund	21.0	-	-	-	-	-	-	-	-	-	-	-	-	21.0
	Timber Roads, Purchaser Elections	1.9	-	-	-	-	-	-	-	-	-	-	-	1.9	-
	Roads and Trails for States, National Forest Fund	(7.3)	-	-	-	-	-	-	-	-	-	-	-	(7.3)	-
	Timber Salvage Sales	62.4	-	-	-	-	-	-	-	-	-	-	-	62.4	-
	Expenses, Brush Disposal	11.7	-	-	-	-	-	-	-	-	-	-	-	11.7	-
	Range Betterment Fund	2.6	-	-	-	-	-	-	-	-	-	-	-	2.6	-
	Payment to Minnesota from the National Forests Fund	2.1	-	-	-	-	-	-	-	-	-	-	-	-	2.1
	Licenses Programs	0.1	-	-	-	-	-	-	-	-	-	-	-	-	0.1
	Restoration of Forest Lands	(2.0)	-	-	-	-	-	-	-	-	-	-	-	(2.0)	-
	Operation and Maintenance Quarters	3.9	-	-	-	-	-	-	-	-	-	-	-	3.9	-
	Timber Sale Pipeline Restoration Fund	6.1	-	-	-	-	-	-	-	-	-	-	-	6.1	-
	Recreation Fee Demonstration Program	46.0	-	-	-	-	-	-	-	-	-	-	-	46.0	-
	Midewin National Tall grass Prairies Rental Fees	0.9	-	-	-	-	-	-	-	-	-	-	-	0.9	-
	Land Between the Lakes Management Fund	3.7	-	-	-	-	-	-	-	-	-	-	-	3.7	-
	Other Land Uses	0.2	-	-	-	-	-	-	-	-	-	-	-	0.2	-
	Valles Caldera Fund	0.5	-	-	-	-	-	-	-	-	-	-	-	0.5	-
	Legacy Fund	58.5	-	-	-	-	-	-	-	-	-	-	-	-	58.5

USDA FY 2004 Program Obligations (Dollars in Millions)

Agency	Account	Program Obligations	1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2
FS (cont'd)	Payments to Counties ,National Grasslands	6.1	-	-	-	-	-	-	-	-	-	-	-	-	6.1
	Cooperative Work Trust Fund	(42.6)	-	-	-	-	-	-	-	-	-	-	-	(42.6)	-
	Reforestation Trust Fund	18.3	-	-	-	-	-	-	-	-	-	-	-	18.3	-
	Gifts and Bequests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Transfer from DOL to USDA for Job Corps	100.1	-	-	-	-	-	-	-	-	-	-	-	100.1	-
	Federal Highway Transfer (FS)	8.1	-	-	-	-	-	-	-	-	-	-	-	8.1	-
Total		114,289.0	1,796.5	2,891.5	4,458.2	30,221.8	7,374.8	9,211.8	1,168.3	1,990.0	44,985.7	901.2	134.5	5,320.4	3,834.2
Total by Goals						**39,368.0**		**16,586.6**		**3,158.4**			**46,021.4**		**9,154.6**

FISCAL YEAR 2004 STAFF YEARS

The following table depicts the component agencies and staff offices of the U.S. Department of Agriculture with estimated staff years obligated to each objective. Staff years have been rounded to the nearest tenth and have been allocated to more than one objective when the amount of each objective was significant and could be identified. Staff offices and departmental management generally support all USDA objectives and, in most cases, have been reallocated equally among all objectives.

Exhibit 72: USDA Staff Years

USDA FY 2004 Staff Years														
Agency	Staff Years	Objectives												
		1.1	1.2	1.3	1.4	2.1	2.2	3.1	3.2	4.1	4.2	4.3	5.1	5.2
OSEC	73	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
OCFO	1,599	123.0	123.0	123.0	123.0	123.0	123.0	123.0	123.0	123.0	123.0	123.0	123.0	123.0
OCIO	307	23.6	23.6	23.6	23.6	23.6	23.6	23.6	23.6	23.6	23.6	23.6	23.6	23.6
DA	521	40.1	40.1	40.1	40.1	40.1	40.1	40.1	40.1	40.1	40.1	40.1	40.1	40.1
OC	98	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
OIG	597	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9
OBPA	61	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
OGC	321	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7	24.7
OCE	55	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
HSS	6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
OCR	148	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
NAD	116	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9
ERS	491	83.5	29.5	29.5	108.0	24.6	34.4	9.8	14.7	19.6	19.6	39.3	-	78.6
NASS	1,343	953.7	-	-	77.9	252.8	-	-	26.7	-	-	-	-	32.6
ARS	8,444	-	-	3,208.7	-		-	844.4	2,111.0	-	253.3	-	1,013.3	1,013.3
CSREES	443	35.4	35.4	35.4	22.2	17.7	17.7	26.6	44.3	-	93.0	-	57.6	57.6
APHIS	6,761	-	-	-	-		-	-	6,761.0	-	-	-	-	-
FSIS	9,503	-	-	-	-	-	-	9,503.0	-	-	-	-	-	-
GIPSA	690	282.9	13.7	35.6	303.6	-	-	55.2	-	-	-	-	-	-
AMS	3,323	3,323.0	-	-	-	-	-	-	-	-	-	-	-	-
RMA	520	-	-	-	520.0	-	-	-	-	-	-	-	-	-
FSA	5,883	-	405.9	-	5,018.2	-	-	-	-	-	-	-	-	458.9

USDA FY 2004 Staff Years														
FSA Non-Federal	11,017	-	-	-	8,538.2	-	-	-	-	-	-	-	-	2,478.8
NRCS	12,346	-	-	-	-	-	1,111.1	-	-	-	-	-	-	11,234.9
RD	6,666	-	-	-	-	1,999.8	4,666.2	-	-	-	-	-	-	-
FAS	1,025	830.7	194.3		-	-	-	-	-	-	-	-	-	-
FNS/CNPP	1,496	-	-	-	-	-	-	-	-	415.9	248.3	831.8	-	-
FS	37,648	-	-	-	-	-	-	-	-	-	-	-	36,895.0	753.0
Total*	**111,501**	**5,809**	**979**	**3,608**	**14,888**	**2,595**	**6,130**	**10,739**	**9,258**	**736**	**914**	**1,171**	**38,266.0**	**16,407.0**
Total by Goals*		**25,285**				**8,725**		**19,997**		**2,821**			**54,673**	

*Goal and objective totals have been rounded to the nearest whole number. Totals affected by rounding.

DATA ASSESSMENT OF PERFORMANCE MEASURES

STRATEGIC GOAL 1: ENHANCE ECONOMIC OPPORTUNITIES FOR AGRICULTURAL PRODUCERS

Objective 1.1: Expand International Marketing Opportunities

KEY OUTCOME: IMPROVE INTERNATIONAL MARKETING OPPORTUNITIES

1.1.1 Dollar value of trade preserved through FAS staff interventions and trade agreement monitoring ($Mil)

- **Completeness of Data**—Data for the World Trade Organization and tariff rates are projected estimates based on results posted to the performance tracking system within the Foreign Agricultural Service. Data for successfully retaining and assuring U.S. trade access to export markets are projected estimates based on results posted during the first three quarters of FY 2004. Fourth quarter estimates were derived using the average quarterly reporting and discounting the results to reflect any large, one-time annual events not expected to be repeated in the final quarter. If any trade access disputes are resolved successfully by the end of the fiscal year, USDA will update this data accordingly.

  The primary sources of trade data are U.S. Customs, which was absorbed into the U.S. Department of Homeland Security, information compiled by the U.S. Census Bureau, the USDA publication "Foreign Agricultural Trade of the United States," and other databases. For some products, trade data are not recorded. Estimating the potential value of a sanitary and phytosanitary accomplishment may be a challenge, especially where new exports to a previously closed market are concerned. In arriving at these estimates, USDA considers such factors as similar exports by other countries, the importing countries' respective purchasing power and sales into comparable markets. In addition to trade data, other sources include market reports compiled by USDA and industry estimates.

- **Reliability of Data**—Data are highly reliable and used by agency and Department officials to highlight successes in the trade-policy arena.
- **Quality of Data**—USDA uses an automated performance tracking system to collect and analyze actual performance data. The data are collected from the Department's network of overseas offices and headquarters staff conducting trade compliance and enforcement activities, and providing trade negotiation support to the U.S. Trade Representative (USTR). An established procedure is maintained to review each reported success for verification and the prevention of double counting. There often is a lag time between reporting successful resolution of trade issues and reporting the estimated value to U.S. agriculture. This also can happen with independent verification through the U.S. Government's official trade statistics. There is no known remedy immediately available to address this problem.

Exhibit 73: Performance Threshold for 1.1.1

Threshold Documentation Table						
Performance Goal		Owner	Target	Performance Thresholds		
				Exceeded	Met	Unmet
1.1.1	Dollar value of trade preserved through FAS staff interventions and trade agreement monitoring ($Mil)	FAS	2,000	> 2,500	2,500 to 1,500	<1,500
Rationale for Met Range: Annual targets for this measure, based on five years of program history, have demonstrated that the performance levels are controlled by international parties. USDA annual targets reflect U.S. expectations for successfully addressing international compliance with trade agreements and resolving actual U.S. trade access issues that arise so that domestic exports can continue. Additionally, the level of international cooperation and agreement with U.S. proposed trade negotiations depends on international parties. A met or exceeded target reflects USDA successes in addressing barriers to U.S. trade. An unmet target can mean that USDA monitoring activities prevented noncompliance.						

OBJECTIVE 1.2: SUPPORT INTERNATIONAL ECONOMIC DEVELOPMENT AND TRADE CAPACITY BUILDING

KEY OUTCOME: SUPPORT FOREIGN FOOD ASSISTANCE

1.2.1 Improve food security and nutrition through McGovern-Dole International Food for Education and Child Nutrition Program by providing daily meals and take-home rations for mothers, infants and school children (Mil)

The data for the McGovern-Dole International Food for Education and Child Nutrition Program are monitored and evaluated through the application of a biannual survey designed by the USDA's NASS. The survey methodology and reporting details are listed in the Government Publication, "The Global Food for Education Pilot Program: A Review of Project Implementation and Impact," Appendix 1, pages 289-305, February 2003.

- **Completeness of Data**—All cooperating sponsors who participate as program delivery partners are required to follow an exact established survey methodology developed by the USDA. The survey covers data on food rations distributed and school enrollment and promotions to the next grade level. While the biannual survey results supplied cover the first and third quarters of the fiscal year, there is a 30-day lag time between the survey's completion, coordination and delivery to USDA. Projected estimates between these times are provided through ongoing correspondence with the program organizations. All estimates and results are based on the previous year's signed agreements since the signatures occur during the fourth quarter of the previous fiscal year.

  Annual performance targets take into account a one-year lag time for the food aid to arrive in the country. During the first quarter of FY 2004, the FY 2003 agreements for food were delivered to the countries. During the second quarter, approximately half of the agreements counties food for direct feeding. During the third quarter, all of the agreements provided food rations. For most of the fourth quarter, few food rations were distributed as schools are on summer break.

- **Reliability of Data**—Data are reliable, of good quality and used by Department officials to highlight successes in the trade policy arena.

- **Quality of Data—**Data collected following the USDA-developed and required survey tool depend on the program participant's ability to interview food recipients. Access to recipients during the survey period may depend upon social conditions, civil unrest and weather and transportation conditions.

Exhibit 74: Performance Threshold for 1.2.1

Threshold Documentation Table						
Performance Goal		Owner	Target	Performance Thresholds		
				Exceeded	Met	Unmet
1.2.1	Improve food security and nutrition through McGovern-Dole International Food for Education and Child Nutrition Program by providing daily meals and take-home rations for mothers, infants and school children (Mil.)	FAS	1.25	> 1.50	1.50 to 1.10	< 1.10
Rationale for Met Range: This is a new, pilot food aid program with no historical record. An initial annual target threshold is set at 90 percent of the target. A new threshold will be evaluated after three years of actual data are collected.						

OBJECTIVE 1.3 EXPAND ALTERNATIVE MARKETS FOR AGRICULTURAL PRODUCTS AND ACTIVITIES

KEY OUTCOME: INCREASE SUPPLY OF DOMESTICALLY PRODUCED RENEWABLE FUELS

1.3.1 Increase In Bioenergy Production (biodiesel & ethanol in Mil Gal)

The data source for performance information is the Bioenergy-CCC-850A "Application for Payment" form. Ethanol production also is verified with data reported by the Renewable Fuels Association (RFA), a trade group representing the ethanol industry.

- **Completeness of Data**—Data for both biodiesel and ethanol are year–to–date actual, as of July 23, 2004. Final fiscal year data are not expected until late November.
- **Reliability of Data**—Performance data come directly from Bioenergy Program records, which show production for each fiscal year compared to the previous one. These data are considered reliable. For biodiesel, there are no other data sources. Regarding ethanol, data reported by the RFA, which is the industry standard, are used as a verification of internal data.
- **Quality of Data**—U.S. warehouse examiners conduct on-site examinations to verify the accuracy and completeness of data reported on the Bioenergy-CCC-850A.

Exhibit 75: Performance Threshold for 1.3.1

Threshold Documentation Table					
Performance Goal	Owner	Target	Performance Thresholds		
			Exceeded	Met	Unmet
1.3.1 Increase in bioenergy production (Mil Gal)	FFAS/FSA				
▪ biodiesel		4	> 4.4	3.6 – 4.4	< 3.6
▪ ethanol		200	> 240	200 – 240	< 200
Rationale for Met Range: Management determination					

KEY OUTCOME: INCREASE THE PURCHASES OF BIOBASED PRODUCTS BY FEDERAL AGENCIES, RESULTING IN INCREASED DEMAND FOR FARM COMMODITIES AND INCREASED INVESTMENT IN PROCESSING AND MANUFACTURING ACTIVITY BASED IN RURAL AMERICA

1.3.2 Number of Generic Groupings of Biobased Products Designed for Preferred Procurement by Federal Agencies

Data to support designation of biobased products for preferred procurement by rulemaking are obtained from a number of sources. First, manufacturers and vendors of such products are identified and contacted. USDA asks for their cooperation in providing data and other product information necessary for the designation of an item by rulemaking. Second, product samples are requested from manufacturers and vendors for biobased content testing. Third, product-manufacturing information also is requested from manufacturers and vendors to support an analysis of several environmental factors associated with the use of the product and its life-cycle cost. Finally, the Department asks manufacturers and vendors for the results of industry-accepted performance tests against which their products have been tested.

- **Completeness of Data—**These data are used to develop the required information on generic groupings of biobased products for use in designation rulemaking. They are developed in cooperation with manufacturers and vendors of biobased products that fall under the umbrella of a designation. Data used meet the statutory requirements for designation rulemaking.

- **Reliability of Data**—Data are gathered from cooperating manufacturers and vendors. Then, these data are used in analyses to determine the biobased content of a range of products within a generic grouping and the environmental attributes and life-cycle costs of these products. The data are used in tests that determine American Society for Testing and Materials (ASTM) compliance. This compliance is named for ASTM International, a major standards-setting organization that develops consensus standards using participants from industry, academia and Government. Its standards are used widely around the world. The results from analyses of a range of products then are used to characterize the generic groupings considered consistent with statutory requirements.
- **Quality of Data**—The quality of the data used in analyses is high. Samples of products to be tested for biobased content are handled consistently with ASTM-specified processes. Information is gathered for analysis of environmental attributes and life-cycle costs, which is required to support an ASTM-compliant analytic framework. Information is gathered from manufacturers and vendors for analysis of the environmental and health effects of using the products and the life-cycle costs associated with their use (life-cycle costs are measured over the life of the products, including disposal costs, and stated in current dollars), as opposed to simply the purchase price of the product.

Exhibit 76: Performance Threshold for 1.3.2

Threshold Documentation Table					
Performance Goal	Owner	Target	Performance Thresholds		
			Exceeded	Met	Unmet
1.3.2 Number of generic groupings of biobased products designated for preferred procurement by Federal agencies	OEPNU	2	> 3	1 - 3	< 1
Rationale for Met Range: This is a new program and ranges will be re-evaluated each year for reasonableness and identification of a historical trend. The current ranges reflect the cooperation level of manufacturers and vendors in working with OEPNU to develop data required for designation of generic groupings by rulemaking.					

OBJECTIVE 1.4: PROVIDE RISK MANAGEMENT AND FINANCIAL TOOLS TO FARMERS AND RANCHERS

KEY OUTCOME: REDUCE THE ECONOMIC RISK OF AMERICAN AGRICULTURAL PRODUCERS.

1.4.1 Increase the value of risk protection provided to agricultural producers through FCIC-sponsored insurance.

The value of risk protection denotes the amount of insurance in effect protecting and stabilizing the agricultural economy. USDA's value projection target is based on projections developed in November 2003, forecasted participation and conditions current at that time. The baseline model uses the latest information from the crop insurance program and combines it with USDA baseline projections for major crops. These crops include corn, wheat, soybeans, sorghum, barley, rice and cotton. In making the projections, the model holds various factors constant, such as premium rates and average coverage level. The model assumes that all non-major crops behave consistently with other USDA projections for major crops. The baseline model is a tool for developing budget projections contained in Presidential budget requests. The budget and performance projections for the crop insurance program mainly depend on the baseline projections from numerous USDA agencies.

- **Completeness of Data**—The data used in conjunction with performance information is based on actual data reported through the end of the third quarter. To provide the annual data, USDA projects the results for the fourth quarter of the fiscal year based on prior year performance. Analysis has shown that normally 99 percent of the final actual data will be reported to USDA during the first quarter of

the next fiscal year. The Department receives the actual data from insurance companies. It then maintains data through two integrated processing systems that validate the information transmitted by insurance companies. The data then are sent through the system to generate all accounting functions. These processing systems provide a mechanism to ensure that data received are accurate, errors are corrected quickly and timely monthly accounting reports are provided.

- **Reliability of Data**—USDA deems this information to be reliable. The insurance companies receive data from the producers and transmit them to USDA. Once received, the Department takes extensive steps to verify the data's accuracy and validity. The Standard Reinsurance Agreement (SRA) also provides reinsured companies with disincentives for not following prescribed guidelines and procedures. While the data are deemed reliable, a recent audit by OIG found that the RMA information technology environment might be vulnerable to errors, misuse, abuse, unauthorized access, disruption of service and willful destruction. RMA generally agreed with these findings and has made substantial progress in implementing the agreed to recommendations.
- **Quality of Data—**Data are projected based on historical performance and the target information uses data dependent upon the baseline projections from numerous USDA agencies. To the extent that any of the USDA projections are inacurate, the projection of value also will be inaccurate.

Exhibit 77: Performance Threshold for 1.4.2

Threshold Documentation Table						
Performance Goal		Owner	Target	Performance Thresholds		
				Exceeded	Met	Unmet
1.4.1	Increase the value of risk protection provided to agricultural producers through FCIC sponsored insurance ($ Bil)	FFAS/RMA	$42.7	>$43.8	$41.7 to $43.7	<$41.6
Rationale for Met Range: Annual targets for this measure, based on five years of program history, have consistently seen a variability of plus or minus two for each fiscal year.						

KEY OUTCOME: IMPROVE ECONOMIC VIABILITY OF FARMERS AND RANCHERS

1.4.2: Increase the Percent of Loans to Beginning and Socially Disadvantaged Farmers

The Farm Loan Program (FLP) makes direct and guaranteed farm ownership and operating loans to family-size farmers and ranchers unable to obtain commercial credit. The data reside primarily in the Program Loan Accounting System (PLAS), Guaranteed Loan System (GLS) and FLP Databases. Web-based reports are the primary means of measuring Farm Loan Program performance. USDA reviews these reports quarterly to monitor progress toward achieving performance goals.

- **Completeness of Data**—Data reported are year-to-date actual as of September 30.
- **Reliability of Data**—Farm Loan Program data are considered reliable. To help ensure data reliability, internal controls are built into the systems. System enhancements and reviews also have contributed to the overall reliability. Additionally, USDA reviews system reports to monitor program performance. Comprehensive internal control reviews are conducted in State offices annually to ensure sound loan-making decisions and that program implementation complies with statutes and regulations. Finally, since most Farm Loan Program data originate from USDA's accounting system, it is subject to an OIG audit.
- **Quality of Data**—The data used in this report are collected for multiple purposes. They are gathered throughout the normal lending process without significant additional burden or analytical resources needed.

Exhibit 78: Performance Threshold for 1.4.2

Threshold Documentation Table					
			Performance Thresholds		
Performance Goal	Owner	Target	Exceeded	Met	Unmet
1.4.2 Increase the percent of loans to beginning and socially disadvantaged farmer/ranchers	FFAS/FSA	35%	>35.5%	34.5-35.5%	<34.5%
Rationale for Met Range: Management determination based on previous year results.					

STRATEGIC GOAL 2: SUPPORT INCREASED ECONOMIC OPPORTUNITIES AND IMPROVED QUALITY OF LIFE IN RURAL AMERICA

Objective 2.1: Expand economic opportunities through USDA financing of businesses

KEY OUTCOME: IMPROVE RURAL QUALITY OF LIFE THROUGH HOME OWNERSHIP OPPORTUNITIES PROVIDED

Business program data are collected in various systems and ways. The finance office records and reports total loan and grant obligations as of the date the obligation is executed. These data are collected as part of the obligation process. Additionally, RD uses one of its own systems, Guaranteed Loan System (GLS), to collect additional information to satisfy reporting requirements, and for management and evaluation purposes. This information includes the number of jobs created or saved. Data on delinquency status mostly are reported by lenders directly to GLS. In other cases, USDA staff reports delinquency information.

- **Completeness of Data**—Business program data are considered final and complete as of September 30 each year. Other than year-end closing adjustments, once a year is reported, it is not revisited.
- **Reliability of Data**—While borrower financial performance is reported by hundreds of lenders semi-annually to RBCS, all lenders are not submitting required borrower financial performance. Additionally, there is inconsistency in the time periods represented by lender reports. In lieu of a reliable, consistent and complete data set from lenders, the Finance Office's financial data have been found acceptable to OIG, as are State office-verified data on the financial performance of loans. Data for jobs created or saved are obtained by State office staff from borrowers and lenders. They are entered into GLS at the same time that obligations are recorded. These data are reliable when they have been updated and verified by State staff. USDA reports the computed jobs saved or created based on underlying market and financial feasibility projections that support loan applications. The jobs are counted only in one fiscal year, the year the loan is obligated. The delinquency rate, which excludes loans in bankruptcy, is based on reports supplied by lenders on the performance of each loan.
- **Quality of Data**—While the percentage of States verifying third-party financial and jobs data have improved each year, further improvements are needed. They are designing and completing a model to compute and measure the impacts of business programs in rural communities better. These impacts include a fuller description of the economic impact and such "quality-of-life" issues as health and education.

Exhibit 79: Performance Threshold for 2.1.1

Threshold Documentation Table						
				Performance Thresholds		
Performance Goal		Owner	Target	Exceeded	Met	Unmet
2.1.1	Create or save additional jobs through USDA financing of businesses	RD/RBS (RCAP)	73,569	>77,247	69,890 – 77,247	<69,890
Rationale for Met Range: USDA has initiated a comprehensive study to verify the methodologies available to accurately track the outcomes of these programs. Until that study is complete and implemented, the Department will continue to track jobs. The job data is gathered when projects are obligated in GLS and the jobs projected are computed based on a formula driven by appropriations, each FY the formula is adjusted based on the historic numbers. A met range of 5 percent is used.						

OBJECTIVE 2.2: IMPROVE THE QUALITY OF LIFE THROUGH USDA FINANCING OF QUALITY HOUSING, MODERN UTILITIES, AND NEEDED COMMUNITY FACILITIES.

KEY OUTCOME:

2.2.1 Homeownership

- **Completeness of Data**—Homeownership data are actual, final and complete. The initial entry point for homeownership data is the Web-based UniFi system. This centralized server application ensures viable data collection. It tracks performance and forecasts needs. Information entered into UniFi also uploads nightly into the MortageServ (a.k.a., Fasteller) system that is used to obligate funds, establish closed loans, administer escrow accounts, manage defaulted loans and perform other administrative functions. Brio, a query and reporting tool, serves as the interface between the data warehouse and RD staff.
- **Reliability of Data**—Homeownership data originate in systems used to obligate funding and are reliable. Data for initial placement of households into their own homes are reliable since they are linked directly to homeownership loans maintained in USDA's financial accounting systems. No adjustments are made for later defaults and the resulting loss of homeownership.
- **Quality of Data**—Homeownership data are based on loan obligations collected in the Dedicated Loan Origination and Servicing system and stored in USDA's Data Warehouse. As such, the data on the number of households are auditable. Data represent the population served based on available U.S. census information.

Exhibit 80: Improve the Quality of Life in Rural America through Homeownership

Threshold Documentation Table						
				Performance Thresholds		
Performance Goal		Owner	Target	Exceeded	Met	Unmet
2.2.1	Increase financial assistance to rural households to buy a home	RD/RHS (SFH)	41,705	>45,875	37,535- 45,875	<37,535
Rationale for Met Range: The range of 10 percent is based on the historical variance form the target during the past several years in the number of houses sold in the Guaranteed and Direct Single Family Housing loan programs.						

2.2.2 Water and the Environment

- **Completeness of Data**—The Water and Environmental Programs (WEP) collects data initially through the Community Programs Application Processing (CPAP) system. CPAP is a non-financial system in which the agency field staff input data about applicants, borrowers, funding and services provided. The data obligations flow through the Rural Utilities Loan Servicing System (RULSS) to the PLAS and through a data server to a data warehouse.
- **Reliability of Data**—USDA's data warehouse stores historical information on Department programs and such non-agency data as census information. Program data are downloaded to the warehouse every evening from several accounting databases. Data generally are current through the previous day. The warehouse provides data about obligations and can be used to measure the number of loans, loan amounts, number of borrowers and funds advanced. The warehouse is an easy, accessible online method of extracting information and data for reports and analyses.
- **Quality of Data**—Based on information in CPAP, the number of subscribers receiving new or improved water or wastewater service can be extrapolated from the data warehouse. The WEP National Office and USDA field offices use data from CPAP, the data warehouse and Department accounting systems to review or evaluate the financial, operational and managerial programs of the utilities serving rural customers.

Exhibit 81: Performance Threshold for 2.2.2

Threshold Documentation Table					
			Performance Thresholds		
Performance Goal	Owner	Target	Exceeded	Met	Unmet
2.2.2 Increase the number of subscribers receiving new and/or improved water and/or waste disposal service (Mil)	RD/RUS	.650 Mil	>.680	680 to .610	>.610
Rationale for Met Range: Annual targets for this measure are based on historical activity and are adjusted according to the program level received each fiscal year.					

2.2.3 Electricity

- **Completeness of Data**—Electric Program data are collected from various Rural Utility Service (RVS) documents including RUS Forms 740c and 130, Borrower's Statistical Profile, Information Publication 201-1 and the borrower's loan application. The data are complete and accurate, and collected at the time of loan approval and reported annually.
- **Reliability of Data**—Applicants are required to report essential data to the Electric Program. These data are used to administer Department loan funds and to ensure the security of the loans. USDA is developing a new loan tracking and data collection system, Rural Utilities Loan Servicing System (RULSS). The Department will be able to capture and access this information in RULSS in FY 2006.
- **Quality of Data**—All applications undergo an extensive review to determine whether the borrower meets all eligibility requirements for the various loans, guarantees and grants offered by the Electric Program. All approved applications must show feasibility from a financial standpoint and ensure loan security. Loan funds may be used only for the approved purposes for which the loan was made.

Exhibit 82: Performance Threshold for 2.2.3

Threshold Documentation Table						
				Performance Thresholds		
Performance Goal		Owner	Target	Exceeded	Met	Unmet
2.2.3	Increase the number of subscribers receiving new or improved electric service (Mil)	RD/RUS	1.504 Mil	>1.579 Mil	1.59 Mil – 1.429 Mil	<1.429 Mil
Rationale for Met Range: Annual targets for this measure are based on historical activity and are adjusted according to the program level received each fiscal year.						

2.2.4 Telecommunications

- **Completeness of Data**—Data are actual, final and complete. The county data are collected from each approved loan application. Applicants are required to detail their proposed service territories. This includes the number of subscribers to be served in the location by county. Loan funds are advanced only for approved purposes. Measuring the extent to which broadband service is deployed in rural America on a county-by-county basis will enable USDA to assess improved economic conditions because of the availability of high-speed telecommunications network access for residents and business.

  The data on the number of counties to be served for each loan are derived from applicants' loan applications. Data must be complete before loans can be approved.

- **Reliability of Data**—While applicants are required to perform market surveys of their proposed service areas, the actual counties served may vary from the plan if all funds are not used or the borrower later requests a change of purpose from the original loan application. Overall, the data on counties served are reliable.
- **Quality of Data**—All applications undergo an extensive review to determine eligibility. Additionally, all approved applications must show feasibility from a financial and technical standpoint. Applicants also are required to perform market surveys of their proposed service areas. Therefore, the data are reliable. As previously noted, the data on the number of counties to be served for each loan approved come from the applicant's loan application. The data depend on the borrower drawing down loan funds and constructing the system as portrayed in the applicant's loan design. Loan funds only may be used for the approved purposes for which the loan was made. Variance may result if a borrower does not draw down all loan funds or request approval for a change of purpose from the original loan. This could result in a different number of counties served from the number specified in the plan.

Exhibit 83: Performance Threshold for 2.2.4

Threshold Documentation Table						
				Performance Thresholds		
Performance Goal		Owner	Target	Exceeded	Met	Unmet
2.2.4	Increase the number of subscribers receiving new and/or improved telecommunications service (Mil)	(RD/RUS)	.695	>.700	.650 to .700	<.650
Rationale for Met Range: Target based on utilization of approximately $600 million in broadband funding and $687 million in infrastructure funding. The number of subscribers is based on historical costs. Thus, fluctuations occur when plan investment per subscriber is significantly different from historical costs. They also occur when plant investment per subscriber is significantly different from historical costs from year to year. The met range of 50,000 allows for a modest 7 percent deviation below the estimated target.						

2.2.5 Community Facilities

- **Completeness of Data**—Community Facilities Program data are complete and final. They are collected by means of two streams of input. The finance office records and reports total loan and grant obligations as of the date of obligations. These data are collected as part of the obligation process. Additionally, USDA collects information for management and evaluation purposes. Data on delinquency status are reported by the finance office for community facilities direct loans, and by lenders for the community Facilities guaranteed loans.
- **Reliability of Data**—Community Facilities data are entered into GLS by field staff as the program funds are obligated. Data are final, complete and reliable. They also represent the population served based on available U.S. census information. Population data served by community facilities are estimates. USDA screens data annually for irregularities. Given the variety of areas served by different types of community facilities (e.g., libraries, fire stations, health clinics), estimation is not a precise science. Population estimates served by community facilities are based on engineering studies used for the design of new or expanded public utilities systems. The Department is developing mapping technologies to improve the determination of service areas for community facilities.
- **Quality of Data**—As new programs are authorized, CPAP is used to create data systems that field staff can use to work directly and interactively with applicants. Planned system requirements can be developed quickly. CPAP contains a number of edit checks to enhance reliability. The data are stored on a server and moved nightly to the data warehouse for permanent storage and reporting. This manner of developing system plans greatly enhances data reliability since they are integral to program planning.

Exhibit 84: Performance Threshold for 2.2.5

Threshold Documentation Table					
Performance Goal	Owner	Target	Performance Thresholds		
			Exceeded	Met	Unmet
2.2.5 Increase the number of subscribers receiving new and/or improved essential community facilities (Mil)	RD./RHS (RCAP)	12	>14	10 to 14	<10
Rationale for Met Range: Because the number of residents served by each grant may vary widely, it is difficult, if not impossible, to estimate with any precision a range of residents served. One grant for a fire engine could serve 22,000 people whereas the same grant amount for a hospital could server 22,000. Therefore, USDA would consider its 2004 goal unmet if CF serves fewer than 10 million people.					

STRATEGIC GOAL 3: ENHANCE PROTECTION AND SAFETY OF THE NATION'S AGRICULTURE AND FOOD SUPPLY

Objective 3.1: Enhance the Protection of Meat, Poultry and Egg Products from Foodborne Hazards in the United States

KEY OUTCOMES: BASING POLICIES ON SCIENCE

For the two Key Outcomes, USDA uses secure and accurate food safety data systems. The data are derived from sampling plans and analysis of product samples taken from meat and poultry plants by Department employees. The samples are analyzed by International Standards Organization (ISO) accredited laboratories to ensure accurate results. ISO is a network of the national standards institutes of 146 countries. These countries work with international organizations, Governments industry business and consumer representatives. Once the laboratories have the results, they enter them into the Laboratory Sample Flow System. The system then forwards the results to the Microbiological and Residue Computer Information System. The results then are sent to the Pathogen Reduction Enforcement System (PREP). PREP uses the results to schedule future sampling at

USDA-inspected plants. The data are considered to be extremely reliable. Policy, program decisions and resource allocation are based on this data.

Improve Detection of Foodborne Hazards

Data for developing systems for detecting foodborne hazards represent actual accomplishments to date and are highly reliable. Each research unit submits annual progress reports via USDA's state-of-the-art electronic information and database system. Line and program managers review the information and report their findings to Congress, customers, stakeholders, partners and the general public. Progress reports are available at http://www.ars.usda.gov. Once there, click on the word "Research" located in the upper left-hand corner of the screen. The reports also are available at the Food Safety Research Information Office (FSRIO). This office is the source for all Federal food safety research information, including the role and duties of the Joint Institute for Food Safety Research. This group was created to coordinate Federal food safety research to ensure that valuable resources are directed to the most needed and most promising projects. Data from the USDA Food Safety Research Program must meet FSRIA's quality standards. Customers and stakeholders provide the Department with continual feedback on the data's quality, relevance, value and usefulness.

- **Completeness, Reliability and Quality of Data**
  - **Pathogen measures**—All samples are logged in upon receipt, analyzed and then entered into the Laboratory Sample Flow System. A sample's milestones are posted on an intranet site accessible by the sample collector and other agency personnel to monitor the sample's progress. Reports are generated periodically to review sample status, cumulative results and other sampling data summaries. Any potential errors are brought immediately to the attention of the System Administrator for investigation and correction.
  - **Viewing measure**—Audience viewings reflect a combination of documented Hotline calls, electronic mailboxes, Web viewings, newsletter subscriptions, publication distributions, and the Agency Rep, "AskKaren" Web-based initiative. Included is a percentage (20 percent) of various media (TV, radio, print) outlet audience tracking data as compiled by independent media outreach tracking services.
- **Quality of Data**
  - **Pathogen measures**—The laboratories are accredited through ISO 17025, which requires extensive quality procedures, documentation and review.
  - **Viewing measure**—Viewing data of food safety messages is based on a combination of actual documented records, reports and/or print-outs (daily, weekly and monthly) along with a percentage (20 percent) of the total various media circulation, listener and viewing audience figures provided through tracking services.
- **Reliability of Data**
  - **Pathogen measures**—The data are reviewed thoroughly prior to posting annual summaries on the FSIS Web site http://www.fsis.usda.gov, publications and published reports.
  - **Viewing measures**—USDA defines viewings as a best estimate of the number of people exposed to food safety messages through all the means used to deliver these messages: print, radio or television media, conventions, presentations, newsletters, USDA Web site visits, Meat and Poultry Hotline calls, food safety publications, the USDA Mobile and State partnerships. Data are reviewed weekly and/or monthly prior to inclusion in other reports.

Exhibit 85: Performance Thresholds for 3.1.1, 3.1.2, 3.1.3 and 3.1.4

Threshold Documentation Table					
			Performance Thresholds		
Performance Goal/Measure	Owner	Target	Exceeded	Met	Unmet
3.1.1: Prevalence of *Salmonella* on broiler chickens.	FSIS	11.7%	<10.0	10 to 12	>12
Rationale for Met Range: For *Salmonella* in young chickens where existing prevalence is more than 10 percent, a regulatory prevalence of 10 to 12 percent reflects a performance consistent with the target.					
3.1.2: Prevalence of *Listeria monocytogenes* on ready-to-eat meat and poultry products	FSIS	0.8%	< .7	.7 to .9	>.9
Rationale for Met Range: For *Listeria monocytogenes* on ready-to-eat meat and poultry products where regulatory prevalence is already below 1 percent, a regulatory prevalence of .7 to .9 percent reflects a performance consistent with the recommended target.					
3.1.3: Prevalence of *E. coli* 0157:H7 on ground beef.	FSIS	0.37%	<.18%	.18 to .9	> .9
Rationale for Met Range: For *E. coli* 0157:H7 on ground beef products where regulatory prevalence is already below 1 percent, a regulatory prevalence of .18 to .9 percent reflects a performance consistent with the recommended target.					
3.1.4: Millions of viewings of food safety messages (Mil)	FSIS	94M	>100M	90M to 100M	<90M
Rationale for Met Range: Achieving 90-100 Million viewings is recognized as a sound marketing strategy to raise awareness of safe food handling behaviors.					

OBJECTIVE 3.2: REDUCE THE NUMBER AND SEVERITY OF AGRICULTURAL PEST AND DISEASE OUTBREAKS

KEY OUTCOME: PROVIDE A SECURE AGRICULTURAL PRODUCTION SYSTEM AND HEALTHY FOOD SUPPLY

3.2.1 Number of significant introductions of foreign animal diseases and pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans

The process of determining this performance result involves several steps: (1) routine monitoring and surveillance of world animal health problems; (2) investigating specific reports to identify if a new introduction of a significant foreign animal disease has occurred and testing to determine the extent of infection; and (3) evaluation to determine the severity of the damage and summarize the results count.

(1) Routine Monitoring: Notice of the need to investigate a possible foreign animal disease may come from a wide variety of sources spread throughout the country. The National Animal Health Monitoring System conducts planned surveys of diseases likely to have major impact on production and marketing. The National Anima Health Strategic Plan Objective 2 "Develop standards, quality control, and performance metrics for surveillance systems" states that key health indicator data will be collected annually starting in October 2005. Specific causes of loss by age group within each commodity will be gathered. In addition to conducting domestic surveys, USDA also maintains the presence of animal health professionals overseas to collect surveillance information on foreign animal diseases to prevent these diseases from entering the United States.

(2) Foreign Animal Disease Investigations and Testing: USDA set a target of 550 foreign animal disease investigations for FY 2004. When an infection is reported and confirmed, area-wide testing is conducted around the foci of infection using a comprehensive system of statistically significant diagnostic samples. The samples are tested in state-of-the-art laboratories. Testing data are recorded in the Emergency Management Response System (EMRS), National Animal Health Monitoring System (NAHMS) and the National Animal Health

Reporting System (NAHRS.) All susceptible animals within an appropriate distance of the foci of infection are tested. The appropriate area for testing is determined using data regarding disease agents and how those agents are spread (through the air by biological or mechanical). The anticipated spread rate is based on weather conditions and movements or contacts on and off of the infected premises, as well as the anticipated expectations of trading partners regarding testing and surveillance. Animals that are positive or have known exposure within at least two disease agent incubation periods are destroyed or retested until the quarantine is removed. If there are limited numbers of animals around the foci of infection the testing area may be expanded to ensure that no animals are infected, and trace out investigations and testing on all animals from the foci herd may be performed.

Statistical sampling focuses on animals at slaughter and, concentration points if movement is being allowed, or in high risk areas. Door-to-door censuses are completed or requests are made that the public report any sick animals meeting a particular case description. Sampling data should be entered into the National Veterinary Services Laboratories (NVSL) databases, EMRS and National Animal Health Laboratory Network (NAHLN) databases. NVSL validates all samples found positive by other network laboratories.

(3) Reporting and Summarizing Results: As data about introduction arrive, veterinarians on USDA's Emergency Programs Staff analyze them and apply criteria to determine if the introductions are significant and have spread. All introductions of agents listed by World Organization for Animal Health (Office International des Epizooties (OIE)) and considered to be foreign to the U.S. are reported are reported to that body.

- **Completeness of Data**—The end-of-year data are complete, actual and final when the scheduled testing is finished, the samples are analyzed and the quarantined animals are tested and released. A cutoff time for the data, which are used for the final summary count, has been set at approximately one month before the required reporting date. If no data indicating an outbreak has spread have been received in the month preceding the decision, the decision based on that time period will be made. If additional data are submitted indicating an outbreak has spread, they will be considered for the next time period.
- **Reliability of Data**—The summary data are considered reliable when USDA's Deputy Administrator of Veterinary Services' has reviewed and approved them.
- **Quality of Data**—The issues related to collection and reporting of performance information are described above.

Exhibit 86. Performance Threshold for 3.2.1

Threshold Documentation Table						
				Performance Thresholds		
	Performance Goal/Measure	Owner	Target	Exceeded	Met	Unmet
3.2.1	Number of significant introductions of foreign animal diseases and pests that spread beyond the original area of introduction and cause severe economic or environmental damage, or damage to the health of animals or humans.	APHIS	0	Not possible	0	1 or above
Rationale for Met Range: These foreign animal diseases are very serious. Veterinary Services seeks to prevent the spread of every single one.						

3.2.2 Number of animals affected by noncompliances documented on inspection reports, and

3.2.3 Percent of facilities in complete compliance at the most recent inspection.

The data source for these measures is the Licensing and Registration Information System (LARIS), which contains facility inspection results data on licensed and registered facilities.

Animal Care field inspectors enter reports into LARIS using laptop computers. Copies of inspection reports are provided to facility personnel and reviewed by supervisory animal-care specialists. There is ample opportunity for correcting any errors. In FY 1999, reports were found to be present in LARIS for 99 percent of active facilities. The validity of the measures was established in 1996 using a team of front-line inspectors and input from stakeholder organizations. Totals are computed by an automated program.

While the percentage of compliant facilities is an excellent, comprehensive, overall measure, it is not a perfect indicator of the welfare of animals. Minor problems that do not affect the welfare of animals directly count against the facilities. To compensate, a measure for animals affected by noncompliances was added. The number of inspections performed also is tracked and made available to managers.

- **Completeness of Data—**It takes animal welfare facility inspectors about a month to finalize their facility inspection data. If they fail to enter the data for a given facility, the computer program that counts the number of facilities in compliance will select the previous inspection report to see if the facililty was in compliance on its previous inspection. If results data are required to be reported before the inspectors can enter their findings, the data on the percentage of compliant facilities, while still considered complete, will be based on a slightly earlier time period. This should not affect the results significantly. On the other hand, the computer program that counts the number of animals affected by violations will understate the results, and they will need to be adjusted to represent a full year of findings.
- **Reliability of Data**—While there will be some variation between inspectors in how strict they are, when all their tendencies are pooled, the differences offset each other. The inspectors must continue to use their best professional judgment in the same way each year for comparable results.
- **Quality of Data—**These data are of highest quality. They are taken very seriously by the inspectors and facility owners or managers, and documented with signatures. If there are mistakes or disagreements, an avenue for appeal to the inspector's supervisor exists.

Exhibit 87: Performance Thresholds for 3.2.2 and 3.2.3

Threshold Documentation Table						
	Performance Goal/Measure	Owner	Target	Performance Thresholds		
				Exceeded	Met	Unmet
3.2.2	Number of animals affected by noncompliances documented on inspection reports Baseline: 2001 = 588,961	APHIS	340,000	>336,600	336,600 to 343, 400	<343,400
3.2.3	Percent of facilities in complete compliance at the most recent inspection	APHIS	70%	>72%	72 to 68	< 68%
Rationale for Met Range: With so many animals affected by noncompliance, it is reasonable that the results could vary by 1 percent more than or less than the target and still be considered to have met it. Anything beyond 1 percent would mean the target has been exceeded or not met. Note that the goal is to lower this result. A similar basis was used for the percent of facilities in compliance. There are more than 15,000 at any given time. A variation of 1 percent seems insignificant.						

KEY OUTCOME: IMPROVE ANIMAL AND PLANT DIAGNOSTIC LABORATORY CAPABILITIES

3.2.4 Improve the capabilities of animal and plant diagnostic information

- **Completeness of Data—**This measure is direct and verifiable and representative of the ultimate purpose of the Diagnostic Networks, i.e., to detect and identify disease threats.
- **Reliability of Data**—USDA action, other internal and external customers and stakeholders, and regulatory agencies routinely accept the data.

- **Quality of Data**—Most of the data released is published in scientific journals where they undergo peer review before publication. All data released to the public are governed by the USDA Data Quality Guidelines.

Threshold Documentation Table					
Performance Goal/Measure	Owner	Target	Performance Thresholds		
			Exceeded	Met	Unmet
3.2.4 Improve the capabilities of animal and plant diagnostic information.					
▪ Specific plant diseases labs are prepared to detect	CSREES	3	>4	2 to 4	<2
▪ Specific animal diseases labs are prepared to detect	CSREES	6	>7	5 to 7	<5
Rationale for Met Range: With the possibility of unanticipated research barriers mitigating against achieving the target, it qualifies as a reasonable proposed range.					

KEY OUTCOME: REDUCE THE NUMBER AND SEVERITY OF AGRICULTURAL PEST AND DISEASE OUTBREAKS

3.2.5 Provide scientific information to protect animals from pests, infectious diseases and other disease-causing entities that impact animal and human health.

- **Completeness of Data**—Research is a continuum of discovery so it is constantly being updated. ARS does everything it can to ensure the completeness of its data at the time it is released..
- **Reliability of Data**—ARS data is routinely accepted by the USDA action and regulatory agencies.
- **Quality of Data**—Most of the data released by ARS is published in scientific journals where it undergoes peer review before publication. ARS data released to the public is governed by the USDA Data Quality Guidelines.

Threshold Documentation Table					
Performance Goal/Measure	Owner	Target	Performance Thresholds		
			Exceeded	Met	Unmet
3.2.5 Provide scientific information to protect animals from pests, infectious diseases and other disease-causing entities that impact animal and human health.					
▪ Number of organisms or variants of the microorganisms sequenced each year.	ARS	55	>57	53 to 57	<53
▪ Number of resistance markers for a variety of diseases identified.	ARS	8	>9	7 to 9	<7
▪ Number of tests that are transferred to universities, State laboratories, private industry or other countries for use.	ARS	3	>4	2 to 4	<3
Rationale for Met Range: With the possibility of unanticipated research barriers mitigating against achieving the target, it qualifies as a reasonable proposed range.					

STRATEGIC GOAL 4: IMPROVING THE NATION'S NUTRITION AND HEALTH

Objective 4.1: Improve Access to Nutritious Food

KEY OUTCOME: IMPROVE NUTRITION INTAKE THROUGH INCREASED ACCESS TO, AND UTILIZATION OF THESE VITAL PROGRAMS BY THOSE ELIGIBLE TO PARTICIPATE

4.1.1 Improve Access to Nutritious Food

The Food Stamp Program (FSP) Participation Rate—This rate is calculated by comparing estimates of eligible individuals with the number of actual participants. The resulting participation rates estimate the percentage of individuals eligible for FSP who choose to participate.

Participation data are drawn from USDA administrative records. State agency reports are certified accurate and submitted to regional offices. There, they are reviewed for completeness and consistency. If the data are acceptable, the regional analyst posts them to the National Data Bank (NDB) Preload System. NDB is a holding area for data review prior to release. Otherwise, regional office personnel reject the report and the State agency is contacted. Data posted by regional personnel into NDB are reviewed at USDA. If data are reasonable and consistent with previous reports, they will be downloaded to NDB for public release. Otherwise, USDA works with regional offices and States to resolve problems and inconsistencies. This process of review and revision ensures that the data are as accurate and reliable as possible.

The estimate of individuals eligible for the program is developed using a computer model of eligibility requirements applied to data from the U.S. Census Bureau's annual Current Population Survey. This survey covers demographic characteristics of the U.S. population. It uses nationally representative sampling techniques. This data are supplemented with that on food stamp participant characteristics derived from the food stamp quality control (QC) process. Food stamp participant data are based upon statistically valid methodology (For more information on QC, see the assessment section for Objective 4.3.1).

- **Completeness of Data—**Because of the time required to collect and analyze the current population survey and the QC data, reporting on this measure is deferred to the following year's report. Once available, data for both participants and eligible people are complete. Participation data are collected and validated monthly before being declared annual data. The current population survey and QC data represent statistically valid national samples.
- **Reliability of the Data—**The data are highly reliable. Participation data reporting is used to support program financial operations. All of the data are used in published analyses, studies and reports. They also are used to support dialogue with and information requests from the Government Accountability Office (GAO), the Office of Inspector General (OIG) and the Office of Management and Budget.
- **Quality of the Data**—As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The measure itself is reported in stand-alone publications as an important, high-quality indicator of program performance.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Participation Rate—Currently, the measure— specifically, a methodology to estimate the number of people eligible for WIC —is under development. Reporting on this measure will be deferred until data are available.

School Breakfast Program (SBP) Participation Rate—This measure is calculated by comparing the average daily participation of children in SBP with estimates of total enrollment in U.S. public and private schools. The estimates originate from data collected and compiled by the U.S. Department of Education's National Center for Educational Statistics (NCES). NCES collects and analyzes data related to education in the U.S. and other nations.

Data on public school enrollment are drawn from the NCES Common Core of Data. This is a comprehensive, annual, survey-based national statistical database of information concerning all public elementary and

secondary schools (approximately 100,000) and school districts (approximately 18,000). Data on private school enrollment is drawn from the private school universe survey. This survey represents a biennial data collection on the number of private schools, teachers and students in the U.S.

- **Completeness of Data**—Because of the time required to collect and report the NCES survey data, reporting on this measure is deferred to a subsequent year's report. Once available, data for both participants and eligible people are complete. Participation data are collected and validated monthly before being declared annual data. The NCES survey data represent statistically valid national samples of public and private school enrollment.
- **Reliability of the Data**—The data are highly reliable. Participation data reporting are used to support program financial operations. NCES surveys are recognized nationally as definitive sources of information on U.S. schools.
- **Quality of the Data**—As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA.

Exhibit 88: Performance Threshold for 4.1.1

Threshold Documentation Table					
			Performance Thresholds		
Performance Goal	Owner	Target	Exceeded	Met	Unmet
4.1.1 Improve Access to Nutritious Food					
▪ Food Stamp Program % Participation	FNS	64%	(+.5%)	Deferred	(-.5%)
▪ School Breakfast Program Participation Rate	FNS	N/A	(+.5%)	Deferred	(-.5%)
▪ Special Supplemental Nutrition Program for Women, Infants and Children Participation Rate		Measure under development	Measure under development	Deferred	
Rationale for Met Range: The participation rate threshold range of ±.5 percent from the target reflects a level of performance consistent with the target.					

Objective 4.2: Promote Healthier Eating Habits and Lifestyles

KEY OUTCOME: PROMOTE MORE HEALTHFUL EATING AND PHYSICAL ACTIVITY ACROSS THE NATION

4.2.1: Healthy Eating Index (HEI) scores for People in Households with Incomes Under 130 percent of Poverty and for the U.S. Population

USDA's Healthy Eating Index (HEI) is an analysis of data from the U.S. Department of Health and Human Service's National Health and Nutrition Examination Survey (NHANES). HEI determines the extent to which the diets of survey respondents are consistent with the recommendations of the *Dietary Guidelines for Americans* and the food guidance system. NHANES is a nationally representative survey that provides information on people's consumption of foods and nutrients, health-related data and Americans' demographic and socioeconomic characteristics.

- **Completeness of Data**—Because of the time required to collect, analyze and publish NHANES data, reporting on this measure is deferred to a subsequent year's report. Once available, the HEI data are complete, reflecting a nationally representative sample of the population.
- **Reliability of the Data**—The data are highly reliable. NHANES uses a well-documented, consistent survey protocol. It is used as a basis for a wide range of peer-reviewed research reports. The HEI methodology is used consistently by USDA in analyses of data quality nationwide and interactive tools designed to assess the diet quality of individuals.

- **Quality of the Data**—As described above, the data used to develop this measure are used widely for multiple purposes, both within and outside USDA. The HEI measure itself is published in publicly available reports and used as a national indicator of diet quality.

Exhibit 89: Performance Threshold for 4.2.1

Threshold Documentation Table					
Performance Goal	Owner	Target	Performance Thresholds		
			Exceeded	Met	Unmet
4.2.1 Promote Healthy Eating (HEI) Habits and Lifestyles:					
▪ HEI for People with Incomes under 130% of Poverty	FNS	N/A	(+1.33)	N/A	(-1.33)
▪ HEI for the U.S. Population	CNPP	64.6	65.5	<65.5, >63.7	63.7
Rationale for Met Range: HEI for People with Incomes under 130 percent of Poverty threshold is based on the 95-percent confidence interval centered on the HEI measure (mean). Though no FY 2004 target was set, the Exceed and Unmet thresholds would be derived from the confidence interval of ± 1.33 points above or below the annual target. Performance that falls within the range between the thresholds is considered to have met the target. HEI for the U.S. Population threshold is based on the 95-percent confidence interval centered on HEI measure (mean). The Exceed and Unmet thresholds are derived from the confidence interval of ± .95 points above or below the FY 2004 target. Performance that falls within the range between the thresholds is considered to have met the target.					

KEY OUTCOME: INCREASE NUTRITION INFORMATION AVAILABLE TO THE PUBLIC

4.2.2 Determine food consumption patterns of Americans and provide sound scientific analyses of the U.S. food consumption information to enhance the effectiveness and management of the Nation's domestic food and nutrition assistance program

Each research project submits an annual project report. The report, which is reviewed by the appropriate area office and national program leaders, provides such performance information as achieving project milestones.

- **Completeness of Data**—Research is a continuum of discovery so it is being updated constantly. USDA does everything it can to ensure the completeness of its data at the time it is released.
- **Reliability of Data**—USDA action, other internal and external customers and stakeholders, and regulatory agencies routinely accept the data.
- **Quality of Data**—Most of the data released is published in scientific journals where they undergo peer review before publication. All data released to the public are governed by the USDA Data Quality Guidelines.

Exhibit 90: Performance Threshold for 4.2.2

Threshold Documentation Table					
Performance Goal/Measure	Owner	Target	Performance Thresholds		
			Exceeded	Met	Unmet
4.2.2 Determine food consumption patterns of Americans and provide sound scientific analyses of the U.S. food consumption information to enhance the effectiveness and management of the Nation's domestic food and nutrition assistance program.					
▪ Number of reports from the USDA Food and Nutrient Database.	ARS	4	>5	3 to 5	<3
Rationale for Met Range: Data sets determined as the most valuable information from the survey.					

Objective 4.3: Improve Food Program Management and Customer Service

4.3.1: Improve Food Management Efficiency

Food stamp payment accuracy data drawn from the Quality Control (QC) system are used annually to support performance incentives to promote payment accuracy. They are based upon statistically valid methodology. The QC process uses a systematic random sampling of Food Stamp Program (FSP) participants. The results of these activities are used to determine individual States' combined payment error rate. This rate is composed of over-issuances and under-issuances of FSP benefits. A regression formula is applied to the results of the reviews to calculate official error rates.

State agencies select cases monthly that are reviewed to determine the accuracy of the eligibility and benefit-level determination. They include a client interview and verification of all elements of eligibility, and the basis of issuance of food stamp benefits. Federal reviewers validate a sample of the State's reviews by conducting a second review. State agencies can verify and validate data through an informal review process. This process and current protections designed to ensure the data's accuracy are based on an agreement between the States and Federal reviewers. The process has proven to be a sound method of calculating reliable data.

- **Completeness of Data**—The most current data available for this measure are for FY 2003. Analysis of FY 2004 performance will be deferred until next year's report. Once available, the data are complete and reliable.
- **Reliability of Data**—QC data are valid and accepted by State FSP agencies as a basis for performance-incentive payments and penalties. GAO and OIG also use it regularly.
- **Quality of the Data**—The data used to develop this measure, which are considered the most valid food nutrition intake information available, are used widely for multiple purposes, both within and outside USDA. The measure itself is frequently cited as an important, high-quality indicator of program performance.

Exhibit 91: Performance Threshold for 4.3.1

Threshold Documentation Table					
Performance Goal/Measure	Owner	Target	Performance Thresholds		
			Exceeded	Met	Unmet
4.3.1 Food Stamp Payment Accuracy	FNS	92.2%	<92.5%	92.5% to 91.9 %	>91.9%
Rationale for Met Range: The 95 percent confidence interval around the estimate of payment accuracy is ±.33 percent.					

STRATEGIC GOAL 5: PROTECT AND ENHANCE THE NATIONS' NATURAL RESOURCE BASE AND ENVIRONMENT

Objective 5.1: Implement the President's Healthy Forests Initiative and Other Actions to Improve Management of Public Lands

KEY OUTCOME: REDUCE THE RISK FROM CATASTROPHIC WILDLAND FIRE

5.1.1 Number of acres of hazardous fuel treated that are in the Wildland Urban Interface (WUI)

5.1.2 Number of acres of hazardous fuel treated that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI (acres)

The data for hazardous fuels treatments are reliable, of good quality and certified by the respective line officer. USDA wildfire and other program managers collected, compiled and analyzed the data.

- **Completeness of Data**—Data are based on actual data.
- **Reliability of Data**—All data for hazardous fuels were reported through the National Fire Plan Operations and Reporting System. This system was co-developed by USDA and U.S. Department of Interior land-management agencies. Validation and oversight are accomplished through monthly conference calls between USDA and regional foresters.
- **Quality of Data**—Data quality has been assessed at greater than 90 percent for project data in all regions. The quality of these data is monitored continuously and being improved with focused training and policy direction on reporting requirements.

Exhibit 92: Performance Threshold for 5.1.1 and 5.1.2

Threshold Documentation Table						
	Performance Goal/Measure	Owner	Target	Performance Thresholds		
				Exceeded	Met	Unmet
5.1.1	Number of acres of hazardous fuel treated that are in the Wildland Urban Interface (WUI)	NRE/FS	1.0	>1.1	0.9 to 1.1	<0.9
Rationale for Met Range	Annual targets for this measure, based on history, have seen a consistent variability of 100,000 acres.					
5.1.2	Number of acres of hazardous fuel treated that are in Condition Classes 2 or 3 in Fire Regimes 1, 2, or 3 outside the WUI	NRE/FS	259,000	>285,000	233,000 to 285,000	<233,000
Rationale for Met Range	This is a new performance measure for FY 2004. There is no historical information related to the target to establish thresholds. Based on the historical variability within the entire hazardous fuel program, plus or minus 10 percent of target is reasonable.					

OBJECTIVE 5.2: IMPROVE MANAGEMENT OF PRIVATE LANDS

KEY OUTCOME: MAINTAIN THE PRODUCTIVE CAPACITY OF THE RESOURCE BASE AND QUALITY OF THE ENVIRONMENT

5.2.1 Conservation plans written for cropland and grazing lands (Mil acres)

5.2.2 Cropland and grazing lands with conservation applied to protect the resource base and environment (Mil acres)

The chief sources of data for these performance measures are the Customer Service Toolkit, USDA's primary conservation planning tool, and the Performance Results System (PRS).

- **Completeness of Data**—Numerous data quality mechanisms are in place within PRS to ensure the completeness of the performance information. This Web-based application includes such integrated quality controls as data type, required fields defined pull-down menus and choice lists. Additionally, the system recognizes records that do not include data identified as critical and requires the user to complete the required data fields before the record can be uploaded to the national database.
- **Reliability of Data**—For FY 2004, more than 80 percent of the data reported for this performance measure was uploaded from the Customer Service Toolkit. All natural resource information in Toolkit is drawn from USDA databases. All data on conservation practices are developed in consultation with the client. This process ensures that the data accurately reflect the client's operation, goals and status of the conservation plan. Data are date-stamped, geo-referenced and linked to an employee ID, enabling detailed quality-assurance reviews. Periodic reviews are conducted to assess the accuracy of reported data. Data entered directly through PRS rather than Toolkit also are linked to a specific land unit, enabling on-site reviews to determine the accuracy of data. Because this is the first year of implementation of the new system, not all quality checks that will be part of the fully implemented system were in place for FY 2004.
- **Quality of Data**—Overall quality of the performance data is good. The data are based on conservation plans, systems and practices planned and applied to land. The information is entered by field staff located onsite where the conservation is occurring. The staffs entering the data are trained and skilled in conservation planning and application suited to the local resource conditions.

Within PRS, the conservation program responsible for each conservation practice is reported. Because these performance measures refer to conservation plans that include multiple measures, the linkage to specific programs is more complex. For FY 2004, methods were under development to estimate the contribution of each conservation program to planning and application. Overall quality of data is good.

Exhibit 93: Performance Threshold for 5.2.1 and 5.2.2

Threshold Documentation Table						
	Performance Goal	Owner	Target	Performance Thresholds		
				Exceeded	Met	Unmet
5.2.1	Conservation plans written for cropland and grazing lands (Mil acres)	NRCS	31.7	>33	30.1 to 32.9	< 30
Rationale for Met Range: Variation of plus or minus 5 percent is considered reasonable at the national level. The range of variation is much greater at the state and local levels.						
5.2.2	Cropland and grazing lands with conservation applied to protect the resource base and environment (Mil acres)	NRCS	26.8	>28.1	25.5 to 28	< 25.4
Rationale for Met Range: Variation of plus or minus 5 percent is considered reasonable at the national level. The range of variation is much greater at the state and local levels.						

KEY OUTCOME: ENSURE DIVERSE WILDLIFE HABITATS

5.2.3 Agricultural wetlands created or restored through the Wetlands Reserve Program (Mil acres)

Data for acreage enrolled in WRP are reported through a national database.

- **Completeness of Data—**Data are complete for all transactions related to WRP.
- **Reliability of Data**—Data are reported by USDA field and State office personnel. The national program manager reviews the data for accuracy.
- **Quality of Data—**Data are considered of good quality for making management decisions.

Exhibit 94: Performance Threshold for 5.2.3

Threshold Documentation Table						
				Performance Thresholds		
	Performance Goal/Measure	Owner				
5.2.3	Agricultural wetlands created or restored through the WRP (Mil acres)	NRCS	1.7	*N/A	1.6 to 1.7	<1.6
Rationale for Met Range: *Target cannot be exceeded because Congress sets it.						

KEY OUTCOME: COMMUNITIES AND INDIVIDUALS PROTECTED AGAINST FLOOD RISKS AND BENEFITING FROM PRODUCTIVE USE OF WATER RESOURCES

5.2.4 Reduction in Average Annual Flood damages

- **Completeness of Data—**Reported in Program Operations Information Tracking System (POINTS) developed during FY 2004 to improve completeness of data collection.
- **Reliability of Data**—Initial data may be less reliable in FY 2004, the first year of using POINTS, than will be the case in later years. All States were directed to review prior year data and ensure that it is reliable. The review could result in some adjustments to the initial input.
- **Quality of Data—**High quality data, developed by an agency economist in each State.

Exhibit 95: Performance Threshold for 5.2.4

Threshold Documentation Table						
				Performance Thresholds		
	Performance Goal/Measure	Owner		Exceeded	Met	Unmet
5.2.4	Reduction in average annual flood damage ($Mil)	NRCS	16	16.5	14.1-16.4	14
Rationale for Met Range: Considered reasonable in comparison to prior year reports and the transition to the new reporting process.						

PROGRAM ASSESSMENT RATING TOOL (PART) EVALUATIONS

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
1.2	Food Aid Programs	**Results:** "Moderately Effective" **Findings:** ▪ FAS needs to develop performance measures that link to the long-term outcome goals of food security. ▪ USDA is unique in administering food aid on credit terms and focusing on Government-to-Government donations. ▪ The Department has made investments and implemented improvements in their business practices and food aid delivery systems. USDA has planned additional management process improvements that will improve database integration, training, monitoring and prescreening processes. ▪ Performance measures need to be developed that are tied to strategic goals and linked to the budget. Current performance measures, such as the number of food aid agreements signed annually, and the level of funding, are inadequate to measure progress towards achieving strategic goals. ▪ Coordination is lacking with the U.S. Agency for International Development (USAID) for common performance measures since the programs have similar goals. **Actions:** USDA will administer the food aid programs in a manner that will: ▪ Limit duplication and inconsistent program implementation between USDA and USAID and make more efficient use of US food aid resources through the implementation of the President's Management Agenda. The PART affirmed the need for USDA and USAID to coordinate on program performance measures, program evaluation and monitoring, and eligibility criteria. Fund the programs at a level that is consistent with the 2003 Budget, reflecting the Administration's management reform goals. The PART helped identify the need to develop a strategy to replenish the Bill Emerson Humanitarian Trust to ensure the long-term availability of commodities for emergency food assistance. **Copy Available**: http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf	N/A until FY 2006. Baseline and target will be developed by spring 2005.	N/A	N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
1.3.1	Bioenergy Program	**Results: "**Adequate" **Findings:** ▪ Current market conditions for ethanol vary substantially from biodiesel. As a result, the program plays a large role in spurring biodiesel production increases whereas the program is not key in increasing ethanol production because the ethanol market is more mature with an established demand. ▪ Other efforts have a greater impact on stimulating increased ethanol production—primarily tax credits, the proposed renewable fuels standard, and California's ban on MTBE. Moreover, this program is only one of a number that provides financial support to construct ethanol facilities (e.g., Business & Industry loans and other USDA grant programs as well as State incentives). ▪ Better coordination with other U.S. Department of Agriculture (USDA) bioenergy-related programs is needed. Coordination efforts related to commercialization are substantially weaker than that for R&D activities. ▪ While the program made significant improvements in performance measurement, targets should be reassessed to make sure they are ambitious in light of available resources. **Actions:** ▪ Ensure a sufficient level of support to growing biodiesel industry. ▪ Increase collaboration and coordination between related programs. ▪ Assess performance targets to ensure they are ambitious and reasonable. ▪ The program performance to budget requests in the FY 2005 President's Budget. Program agreements for the life of the program were executed with participants before this recommendation was made. Biodiesel support level improvements are based on a soybean-conversion factor and price. This has increased support to the biodiesel industry. The program manager has participated in USDA-wide biobased products and coordination council planning sessions and in both ethanol and biodiesel annual industry conferences. **Copy Available**: http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf	Ethanol's percentage or share of total transportation fuel usage. Biodiesel's percentage or share of total diesel fuel usage.	N/A	N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
1.4.1	Federal Crop Insurance Program	**Results:** "Results Not Demonstrated" **Findings:** ▪ The program's purpose is clear. ▪ Additional planning and performance measurement is needed. The program cannot yet demonstrate the extent of its impact on farm income or in reducing dependence on other ▪ Government support programs. ▪ The management of this program is relatively good. It includes a close partnership with the crop insurance companies. Participation information, such as policies sold, liability, acres, and premiums are provided on a daily basis at a producer level by the companies. The data is crucial to the formulation of the strategic plan. **Actions:** ▪ Establish adequate long-term and short-term measures and goals, and ▪ Identify improvements in the program that will get it closer to becoming a complete risk-management tool for the agriculture sector, such as developing a successful livestock crop insurance plan. **Copy Available**: www.whitehouse.gov/omb/budget/fy2004/ pma	Implemented revised SRA for crop year.	N/A	N/A
	Pesticide Data and Microbiological Data Programs	**Results:** "Adequate" **Findings:** ▪ The PDP program currently has only one output related long-term performance measure. The program would be strengthened by adopting at least one additional outcome-based, long-term measure of the program's performance. ▪ The most recent review of PDP program operations was conducted by the USDA Inspector General's Office in 1994. While not independent from the program, federal staff also conducts periodic reviews of program operations. ▪ It is difficult to determine the extent to which mechanisms are in place to ensure accountability among program partners. **Actions:** ▪ Develop additional, outcome-based performance measures. ▪ Independent audit of program operations. ▪ Revisit recently developed efficiency measures of a unit cost per test and gauge its effectiveness in helping to control costs and prioritize resources. ▪ Study the feasibility of charging a fee to industry beneficiaries to cover partial/full cost of the pesticide data program. **Copy Available**: http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf	Rates of dollars spent avoided through Strategic Data Analysis 2005.	$1.23	$1.23

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
1.4.2	Guaranteed Farm Loan Program	**Results:** "Moderately Effective" **Findings:** ▪ Develop a measure to assess the long-term goal of improving the financial viability of eligible farmers and ranchers. ▪ Explicitly tie budget requests to accomplishment of annual and long-term performance goals. ▪ Develop ambitious targets for long-term measures. **Actions:** ▪ Conduct a performance-focused review that will include, but is not limited to: analysis of program participants; length of time borrowers remain in program; number of borrowers who "graduate" and return to the program; effectiveness of targeted assistance; and the potential to reduce subsidy rates. ▪ Revise long-term performance measure to better assess progress toward meeting the goal of improving economic viability of farmers/ranchers. ▪ Assess performance targets to ensure they are ambitious. ▪ Develop an efficiency measure such as "cost per loan processed" to track administrative expenses and allow comparison among loan programs. ▪ Tie program performance to budget requests in the 2005 President's Budget. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pdf/ap_cd_rom/part.pdf.	Reduce average processing time for guaranteed loans (days).	15	14
	Direct Crop Payments	**Results:** "Adequate" **Findings:** ▪ The purpose of the program is clear; however the design could be improved. Direct payments are designed as part of a safety net for farmers; however they are going to about 41 percent of all farmers, 85 percent of which have annual sales of at least $50,000. ▪ The program management has devised performance goals that are designed to improve the delivery of the program. ▪ The program is generally well managed. ▪ Outside sources have reviewed the program and determined that it has provided support in maintaining farm income, but has not been effective in reducing the need for government subsidies. **Actions:** Because this is a mandatory program, it is difficult to address program weaknesses through the budget process. The limitations of the direct payment program will have to be dealt with legislatively. In response to the PART findings, the Administration will reduce trade barriers through trade	N/A	N/A	N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
1.4.2 (cont'd)		negotiations, to create new markets for U.S. agricultural exports, so that farmers will be less reliant on government income support. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			
	CCC Marketing Loans	**Results:** "Moderately Effective" **Findings:** As statutorily mandated, the marketing assistance loan and LDP program is targeted at providing support on production of relevant marketing assistance loan commodities. For producers with eligible production of one or more of these commodities, the program has, for the most part, effectively provided per-unit revenue support on realized production. Specific findings include: ▪ The program provides the same level of support (on a per unit basis) to all producers, regardless of financial need. ▪ Marketing loans provide support to producers of major field crops, but do not provide a safety net to producers of other crops that may need assistance. ▪ Commodity certificate redemption and nonrecourse forfeiture provision allow producers to exceed their payment limits. **Actions:** ▪ Suggest the House and Senate Agricultural Committees examine the issue of payment limits for marketing loan and LDP gains and how they could be tightened. ▪ More frequent external audits of program effectiveness out to be conducted. ▪ Discrepancies between county offices in the delivery of services to producers should be addressed. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf	N/A	N/A	N/A
	Guaranteed Loans	**Results:** "Moderately Effective" **Findings:** The assessment found that the program serves a clear need. Due to a number of factors (e.g., market uncertainty, young/beginning farmers who lack sufficient credit history, limited resource farmers, geographic isolation), farmers may have difficulty demonstrating creditworthiness to lenders. The program is comparatively cost-effective with low subsidy rates and the delivery mechanism is consistent with program objectives. However, improvements to performance measures are still needed to demonstrate how the program is improving the economic viability of farmers and ranchers. Specific findings include: ▪ The agency has improved administrative efficiencies. While a low loss rate on	N/A	N/A	N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
1.4.2 (cont'd)		guaranteed loans is a proxy indicator for the financial viability of borrowers, there is no measure that indicates the program is providing adequate coverage of the intended market or whether or not there are any unmet needs. ▪ Although the program targets beginning and socially disadvantaged farmers, there is no method to assess whether outreach/targeting efforts are the most effective. ▪ Program lacks independent evaluations. **Actions:** ▪ Conduct a performance focused review of the program. ▪ Revise long-term performance measure to better assess progress toward meeting the goal of improving economic viability of farmers/ranchers. ▪ Assess performance targets to ensure they are ambitious. ▪ Develop and efficiency measure such as "cost per loan processed" to track administrative expenses and allow comparison among loan programs. ▪ The program performance to budget requests. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			
2.1.1	Business & Industry Guaranteed Loan Program	**Results:** "Adequate" **Findings:** ▪ Long-term performance measurement could be strengthened by evaluating actual program performance with established benchmarks to better understand the community benefits provided by the program. ▪ Reforms are needed to improve the cost-effectiveness of the program. The subsidy rate has increased over the last couple of years and the Inspector General has made numerous recommendations to improve lender servicing, training and oversight. ▪ Budget requests do not yet tie to the accomplishment of performance goals. **Actions:** ▪ Improve long-term performance measurement by comparing actual program data on the types of jobs supported each year with established benchmarks based upon U.S. Department of Labor statistics. This will allow RBS to determine the extent of community benefits more accurately. Such information also will help guide agency decisions on how to manage the funds they receive.	N/A Baselines and targets are being developed for tracking in FY 2005.	N/A	N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
2.1.1 (cont'd)		▪ Complete a rewrite of program regulations to address identified concerns and deficiencies, such as lender performance and eligibility, borrower eligibility, priority goals, and underwriting requirements. These efforts coupled with improvements in program management will help the agency make targeted efforts to decrease delinquency and default rates. ▪ Develop an efficiency measure such as "cost per loan processed" to track administrative expenses and allow comparison among loan programs. ▪ The program performance to budget requests. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf	Efficiency measures have been drafted for Agency clearance.	N/A	N/A
	Electric	**Results:** "Adequate" **Findings:** RUS's electric program is well designed with a clear purpose, which resulted in a high purpose rating. In addition, RUS received a high management rating because the program is effectively managed. However, the analysis reveals a disconnect between USDA's strategic goals and RUS's performance goals and measures. The Department's plan and RUS's goals do not match up with each other. The PART analysis also highlighted the need for better performance measures. Specifically, we found: ▪ One of USDA's goals is to provide support to rural areas of greatest need. Except for the hardship program, RUS electric loans are not provided in such a way that would focus the support to areas of greatest need and do not always go to rural areas. RUS goals and measures supposedly support USDA's rural development goals, but the link between the goals and measures is not readily apparent. ▪ RUS strategic goals are very broad, and it is difficult to demonstrate the impact of program funding on rural economies. Due to this, RUS received low scores in the Strategic Planning and Program Results sections. **Actions:** ▪ Target RUS electric loans to areas with high poverty rates. ▪ Increase funding for hardship loans that can only be used in areas that are severely depressed (applicants must meet rate disparity thresholds and their consumers must fall below average per capita and household income thresholds). **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf	N/A	N/A	N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
2.2.2	Water & Wastewater	**Results:** "Not Demonstrated" **Findings:** Summary results showed the program to be extremely well designed and managed. It also found: ▪ The program is successful in targeting assistance for water and wastewater infrastructure to poor rural areas. ▪ USDA does an effective job of collecting program data and using it to manage effectively. ▪ Existing measures do not demonstrate adequately results. Improvements to the performance measures need to be made. **Action:** ▪ Develop better annual goals. ▪ Create reasonable long-term goals that measure outcomes. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf	N/A for tracking in FY 2005. Baselines and targets are being developed.	N/A	N/A
2.2.3	Multi-Family Housing	**Results:** "Results Not Demonstrated" **Findings:** Summary of results found that the multifamily housing programs generally are run well. Other PART findings include: ▪ Although the program achieves what it was designed to do, it is inefficient in that funds needed to show an effect on the problem to the economy as a whole would be prohibitively expensive. ▪ USDA collects data and uses these data in managing the program effectively. ▪ The annual performance measures adequately guide the agency. ▪ The long-term goal needs to be more strategic and focused. **Actions:** ▪ Improve and develop better annual goals. ▪ Develop adequate long-term goals that measure outcomes. Program staff met with OMB examiner during summer 2004 to develop improved long-term measures. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf	N/A for tracking in FY 2005. Baselines and targets are being developed.	N/A	N/A
2.2.4	Telecommuni-cations Loan Programs	**Results:** "Adequate" **Findings:** The telecommunications program has a clear purpose and good program management that resulted in high scores in the program purpose and design and program management sections. ▪ The PART analysis showed that RUS did not have adequate long-term and annual measures.	N/A for tracking in FY 2005. Baselines and targets are being developed.	N/A	N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
2.2.4 (cont'd)		**Actions:** To address these findings, RUS will: ▪ Develop ambitious targets for the new long-term and annual performance measures. ▪ Require program participants recently rural status in the application for a new loan. ▪ Determine if the current method of issuing loans, "first in; first out," provides adequate support to the areas with the highest priority needs. ▪ Develop a measure that determines how rural the subscribers are. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			
2.2.5	Community Facilities	**Results:** "Results Not Demonstrated" **Findings:** FY 2005 PART assessment status updated FY 2004 Summary of results found that the CF Direct Loan Program serves a clear purpose in improving the quality of life in rural America. Other PART findings include: ▪ Long-term performance measures that identify the need or gap being addressed should be developed. Furthermore, while annual measures support the long-term goal of the program to enhance the quality of life in rural America, they do not assess the extent to which those with the greatest need are benefiting from the program. ▪ The program could benefit from evaluations that focus on the achievement of desired outcomes. ▪ The program has achieved increased efficiency through greater outreach efforts and leveraging other funding sources. ▪ Budget requests still do not tie to the accomplishments of goals. **Actions:** ▪ Develop a long-term measure during FY 2004 that measures outcomes. ▪ Consider revising annual measures to more directly link to decisions on how the agency manages the funds it receives. ▪ Conduct program evaluation to assess the needs being addressed, populations served and the effectiveness of outreach efforts. ▪ Develop an efficiency measure such as "cost per loan processed" to track administrative expenses and allow comparison among loan programs. ▪ Tie program performance to budget requests in the 2005 President's Budget. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf	N/A for tracking in FY 2005. Baselines and targets are being developed.	N/A	N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
3.1.1	Food Safety and Inspection Service	**Results:** "Adequate" **Findings:** FSIS' purpose and planning rated high because it has a clear and significant role in protecting the Nation's food supply. In addition, the program's outcome goals meaningfully reflect the purpose of this program. However, FSIS received lower scores in management and accountability. Even though, over the last few years, FSIS has undertaken several initiatives to improve resource management efficiencies and cost effectiveness, FSIS still does not have tangible incentives or procedures in place to measure cost effectiveness. FSIS has experienced financial management problems for which efforts are underway to resolve. In addition, the assessment found: ▪ The program has been effective in reducing incidences of foodborne illness. However, the program is not optimally designed to address food safety, resulting in lower program result scores. ▪ Implementation of a new risk-based inspection system should be further evaluated to determine whether it would help FSIS meet their strategic and performance goals and should improve efficiencies and cost effectiveness. **Actions:** To address these findings, FSIS will evaluate the impact of implementing a risk-based inspection system beyond the current pilot program. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			
3.2.1	Animal Health Monitoring and Surveillance (Reviewed for the FY 2005 Budget.)	**Results:** "Effective" **Findings:** ▪ The program purpose and design were clear. It addresses a clearly defined problem. The program also was well managed. ▪ Resources are allocated to prepare and respond to plant and animal pest outbreaks, and support and coordinate State, tribal and local efforts. ▪ Annual and long-term measures reflected program activities. They are chosen program analysts and managers as the best overall indicators of program effectiveness. ▪ The programs are striving for excellent scores, such as a 97-percent detection rate within the next 3 years. ▪ Only two of the six measures in the overall program met their long-term target.	Time is required for reporting of sample testing results. The average cost of each surveillance activity.	N/A N/A	N/A N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
3.2.1 (cont'd)		**Actions:** ▪ Update the measures and accomplishments of the program. ▪ Funding for FY 2005 is $254 million, an increase of about $80 million from the FY 2004 enacted. Increases are related to Agricultural Defense, and to respond to the discovery of a cow infected with *Bovine spongiform encephalopathy*. ▪ Add an additional efficiency measure, such as the average cost of an investigation. **Copy Available**: http://www.whitehouse.gov/omb/budget/fy2005/pdf/ap_cd_rom/part.pdf			
3.2.2 and 3.2.3	Animal Welfare (Reviewed for the FY 2004 Budget.)	**Results:** "Adequate" **Findings:** ▪ The program has a clearly defined purpose. ▪ There is a need for more independent evaluations. Although APHIS conducts as needed evaluations of its program components and USDA's Office of the Inspector General has conducted evaluations of the program (1992 through 1996). The PART found no evidence of recent reviews outside of the Department. ▪ The program has made improvements in performance measures, and the PART was reassessed for the 2005 Budget to account for these changes. **Actions:** ▪ Animal Care is seeking clearance for a customer satisfaction survey that will evaluate the effectiveness of some of its education and training efforts. ▪ Seek additional input from sources outside of the government, including peer evaluations, when appropriate. ▪ Include at least one additional annual measure, to more closely link annual performance and long-term performance. ▪ The program has made improvements in performance measures, and the PART was reassessed for the 2005 Budget to account for these changes. **Copy Available**: http://www.whitehouse.gov/omb/budget/fy2005/pdf/ap_cd_rom/part.pdf.	Average cost per Animal Welfare Act (AWA) inspection. Number of repeat/chronic violators of AWA per dollar spent on education/ outreach.	N/A N/A	$1,165 (Est.) N/A
3.2.4	Forestry Research Grants	**Results:** "Results Not Demonstrated" **Findings:** ▪ The mandate that the program be funding through formula grants may not be the most effective way of allocating resources. Other ways, such as competitive grants, may be more effective in targeting resources to get the greatest overall effect.			

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
3.2.4 (cont'd)		▪ CSREES needs to develop more effective annual measures for this program, including targets that are ambitious. Even though research often may take several years to achieve results, and results are not guaranteed, targets against which to measure progress need to be developed. ▪ The program collects information on a timely basis for use by management, and maintains close contact with partners on a routine basis. **Actions:** The Administration will: ▪ Consider an alternative way of delivering benefits for this program. ▪ Develop at least two annual measures, one of which is based on the research and development criteria. An example could be: The percentage of funded projects that outside peer review determines to meet the research and development criteria. To be included in a new PART to be conducted during the FY 2007 budget process. **Copy Available**: http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			
3.2.5	Food Safety Research	**Results:** "Results Not Demonstrated" **Findings:** ▪ The program purpose and design are clear. The program is well managed. ▪ Long-term and annual measures, with ambitious targets have to be formulated that tie closely with overall Department long-term goals. The Department also needs to develop a few quantifiable annual measures. While this is difficult in the R&D area, where annual results cannot be guaranteed, one possibility is the use of the research and development criteria, which measure the relevance and quality of research. **Actions:** ▪ USDA will develop a minimum of three long-term measures, at least one of which directly relates to the Department's long-term food-safety strategy and performance plan. ▪ USDA will develop a minimum of two quantifiable annual measures, at least one of which is related to the research and development criteria. ▪ The Budget includes $106 million in funding for this program. Increases are provided for programs related to homeland security.			

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
3.2.5 (cont'd)		▪ To be included in a new PART to be conducted during the FY 2007 budget process. **Copy Available**: http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			
4.1.1	Food Stamp Program	**Results:** "Moderately Effective" **Findings:** ▪ Food stamp benefits are well targeted to intended beneficiaries and virtually always spent for their intended purpose. ▪ The program achieves its annual performance goals to increase program participation and reduce payment error. ▪ The program is better designed to reduce hunger and malnutrition related to inadequate income, than to achieve further incremental improvements in the dietary status of low-income people. ▪ While the program has been shown to increase food expenditures among program participants and the availability of nutrients in the home food supply, evidence that participation reduces hunger and increases nutrient intake is inconclusive, partly the result of limitations in measurement techniques. **Actions:** ▪ The Department will develop a plan for the use of Federal and State program funds to improve nutrition among program participants. The plan will include clear goals, quantifiable outcomes, and specific actions to be undertaken that directly tie to the achievement of the specified outcomes. The plan also will provide for review, assessment and recommendations to improve the effectiveness of current Federal and State activities. ▪ The Department will develop studies to demonstrate the impact of program participation on hunger and dietary status. **Copy Available**: http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf; **Summary Available:** http://www.whitehouse.gov/omb/budget/fy2005/pdf/ap_cd_rom/part.pdf.	92.2%	Food Stamp Accuracy Rate	N/A

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
4.1.1 (cont'd)	National School Lunch Program	**Results:** "Results Not Demonstrated" **Findings:** ▪ While the program generally is well designed and has a clear purpose, a large proportion of children certified for free and reduced-price meal benefits are from households with incomes above the program's eligibility thresholds. ▪ While the principal long-term goal of the program, serving meals that meet the dietary guidelines, is ambitious, the annual performance measures are not well linked to the long-term goal. ▪ Participating schools do not report on progress towards goals and program funding does not reward schools that meet program goals. ▪ There is a high rate of erroneous payments—perhaps as high as 25 percent. ▪ While the program achieves long-term goals to a large extent and compares favorably with other programs with similar purposes and goals, annual goals do not support long-term goals directly. **Actions:** ▪ Create a system to improve the accuracy of income information submitted by households at the time of application to address the high rate of erroneous payments in the program. ▪ Create a performance-based reimbursement system that provides for financial incentives for meals meeting the dietary guidelines. ▪ Develop performance measures that meet the long-term goals. **Copy Available**: http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf; **Summary Available**: http://www.whitehouse.gov/omb/budget/fy2005/pdf/ap_cd_rom/part.pdf.	N/A	N/A	N/A
4.2.1	National School Lunch Program	**Actions:** Create a performance-based reimbursement system that provides for financial incentives for meals meeting the diertary guidelines. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf. Summary available at http://www.whitehouse.gov/omb/budget/fy2005/pdf/ap_cd_rom/part.pdf.	N/A	N/A	N/A
5.1	McIntire-Stennis Research	**Results:** "Results Not Demonstrated" **Findings**: ▪ The mandate that the program be funded through formula grants may not be the most effective way of allocating resources. Other ways, such as			
5.1		competitive grants may be more effective			

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
(cont'd)		in targeting resources to get the greatest overall effect. This would require a change in authorizing legislation. ■ CSREES needs to develop more effective annual measures for this program, including targets that are ambitious. Even though research may often take several years to achieve results, and results are not guaranteed, targets against which to measure progress need to be developed. ■ The program collects information on a timely basis for use by management, and maintains close contact with partners on a routine basis. **Actions:** ■ Consider an alternative way to delivering benefits for this program. ■ Develop at least two annual measures, one of which is based on the research and development criteria. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			
	Land Acquisition	**Results:** "Results Not Demonstrated" **Findings:** ■ The assessment found that the Forest Service Land Acquisition program generally has good accountability, program consistency, staffing, and appraisal valuations. Although the program has taken steps to address some non-strategic planning deficiencies through amended Forest Plans and the Land Acquisition Priority System (LAPS), additional outcome measures are needed that focus on assessing the extent to which the land acquisition program is protecting public benefits provided by acquisitions of private lands for national forests to address program purposes. Additional findings include: ■ Although lands are acquired at market value meeting certain criteria, the program lacks meaningful national programmatic priorities that would provide optimal reduction of the government's current and future costs. Rather, emphasis is placed on supporting individual forest plans. ■ The agency has not implemented program unit cost comparisons, such as totalcost/acre acquired, as an efficiency measure, nor has it explored other potentially beneficial measures, such as timing targets or personnel cost/acre acquired. **Actions:** ■ Establish annual performance measures that indicate how land acquisitions advance in a measureable way agency strategic plan milestones. ■ Establish relevant and meaningful efficiency measures.			

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
5.1 (cont'd)		▪ Establish processes that provide analyses of integrated spatial data sets on land management units, ecoregions, conservation lands, land cover and species to identify gaps or needs that in turn highlight priority areas in need of habitat, ecosystem and biodiversity protection. ▪ Measure Federal administrative efficiencies associated with third parties purchasing non-Federal lands and placing them in trust prior to Federal purchase. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			
	Forest Service Capital Improvement and Maintenance	**Results:** "Adequate" **Findings:** The program serves a clear and important purpose. The roads and trails accommodate millions of visitors annually. However, the PART evaluation highlighted a number of obstacles the program faces in meeting its long-term goals. Specific findings include: ▪ The program is relatively well managed. The Forest Service has made significant strides in collecting performance information and establishing reporting protocols that distinguish between critical and non-critical health and safety deficiencies. However, financial management still needs improvement as the Forest Service has had difficulty collecting timely, reliable, and complete financial data on its physical assets. ▪ The program scored low on the results section. The program has a significant deferred maintenance backlog (estimated at $13 billion) and the Forest Service has been unable to demonstrate that it can maintain its current infrastructure needs. ▪ The program has improved performance measures and is now using a Facilities Condition Index (FCI) to assess physical infrastructure and prioritize funding needs. **Actions:** ▪ Continue to improve the maintenance prioritization process and increase incentives aimed at decommissioning obsolete and underutilized infrastructure. ▪ Target $10 million for deferred maintenance, focusing on the projects that have the highest priority as measured by the improvement in the FCI. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
5.1.1 and 5.1.2	Wildland Fire Management	**Results:** "Results Not Demonstrated" **Findings:** ▪ The program faces significant obstacles in meeting its long-term goals, most of which appear to be management challenges. A number of management changes are currently underway at the Forest Service to address these issues. ▪ The purpose and design of the program is clear and well focused. ▪ The cost of responding to fires is rapidly rising and no systematic cost-containment strategy is in place to track and control firefighting efficiency. ▪ Although Forest Service has taken substantive steps to improve the hazardous fuels program (the removal of excess wood to reduce the risk of catastrophic fire), more effort is needed to demonstrate that fuels reduction activities adequately targeted adequately and managed efficiently. ▪ The long-term goals developed as part of the 10-Year Fire Strategy still require baseline data, annual and long-term targets, and clear prioritization among the 4 goals and 18 measures. **Actions:** Based on the identified problems in the program, the Administration will implement management improvements in the fire program, including: ▪ Developing a real-time obligations system to improve the accountability of firefighting costs and accuracy of wildland fire obligations. ▪ Improving accountability for firefighting costs and ensuring that States are paying their fair share of such costs. ▪ Developing a new fire preparedness model that focuses on efficient allocation of available resources. ▪ Establishing project criteria that is consistent with the 10-Year ▪ Implementation Strategy to ensure that hazardous fuels reduction funds are targeted as effectively as possible to reduce risks to communities in the wildland-urban interface. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2004/pma/usdawildlandfire.pdf.	Number of acres treated within the Wildland Urban Interface (WUI) areas per million dollars gross investment Number of acres treated outside WUI areas per million dollars gross investment.	10,573 8,203	7,956 7,956
5.2	Farm and Ranch Lands Protection Program	**Results:** "Results Not Demonstrated" **Findings:** ▪ The program is administered in an effective manner. ▪ While the program prioritizes applications at the State level and selects the best projects for protecting important agricultural lands from development, it does not have outcome-based annual or long-term performance measures. Thus, the program cannot demonstrate it is delivering results.			

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
5.2 (cont'd)		**Actions:** ▪ The Department has contracted with outside research groups, such as American Farmland Trust and several universities, to develop improved performance measures that are outcome based. ▪ Design and implement an evaluation system to provide outcome performance indicators for farm conservation programs. **Copy Available:** http://www.whitehouse.gov/omb/part.			
	Wildlife Habitat Incentives Program	**Results:** "Results Not Demonstrated" **Findings:** The program is managed in an effective manner. ▪ WHIP prioritizes funding for rare, threatened, and endangered fish and wildlife. In addition, WHIP leverages significant resources from conservation partners and often acts as a seed source for additional habitat projects. ▪ WHIP could be more effective if its program purpose was more specific and narrowly focused. ▪ Possible overlap exists between WHIP and other conservation programs administered by the U.S. Department of Agriculture, such as the Environmental Quality Incentives Program and the Wetlands Reserve Program. ▪ The program does not have a limited number of ambitious, long-term performance goals that focus on outcomes. ▪ The PART identified no independent and quality evaluations of WHIP. **Actions:** ▪ Work to develop outcome-based performance measures and targets. ▪ Conduct an internal, in-depth review of WHIP during 2003 by a Departmental Oversight & Evaluation team. **Copy Available:** http://www.whitehouse.gov/omb/part.			
	Conservation Technical Assistance	**Results:** "Results Not Demonstrated" **Findings:** The assessment found that CTA pays for NRCS field staff to work in conjunction with State and local units of Government to address resource concerns that are identified at the local level. However, improvements are needed in how CTA reports its activities and tracks its accomplishments. Specific findings include:	Technical assistance cost per acre of cropland planning	Baseline to be established	

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
5.2 (cont'd)		▪ The budget does not have adequate transparency. It funds a number of activities beyond field-level technical assistance and it is difficult to trace and connect the budget requests with agency performance and results. ▪ The lack of budgetary transparency makes it difficult to determine whether the account's resources are effectively prioritized and targeted. ▪ The CTA has difficulty developing a concise list of long-term measures for the PART exercise because it funds many activities beyond providing field-level technical assistance. The performance of many of these activities is not reported. **Actions:** ▪ Develop long-term performance measures for CTA that include outcome-based measures and goals. ▪ Develop efficiency measures for CTA. ▪ Improve the annual measures to better reflect the variety of activities funded by CTA beyond the field-level technical assistance provided to producers. **Copy Available:** http://www.whitehouse.gov/omb/part.			
	Soil Survey Program	**Results:** "Moderately Effective" **Findings**: ▪ The snow survey and water supply forecast program is the only high elevation, data-collection network in the U.S. ▪ The water supply forecasts it produces are coordinated with other entities, such as the National Weather Service. ▪ The program has developed long-term performance measures that support the programs purpose—baseline data for these new measures currently are unavailable, however. The measures evaluate the program's progress in eliminating information gaps for water supply forecasting purposes, improving water supply data utility, and increasing accuracy of streamflow data. ▪ NRCS needs to develop baselines for the new long-term measures. ▪ The program also needs to develop adequate efficiency measures. ▪ The program's budget requests are not explicitly tied to achieving the long-term goals. It is unclear how performance would increase for the measures if program funding was increased.			

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
5.2 (cont'd)		**Actions**: ▪ Improve long-term performance measures by refining the measures and developing the baseline data. ▪ Refine the program efficiency measures. **Copy Available:** http://www.whitehouse.gov/omb/part.			
	Snow Survey and Water Supply Forecasting	**Results:** "Moderately Effective"" **Findings**: ▪ The snow survey and water supply forecast program is the only high elevation, data-collection network in the U.S. ▪ The water supply forecasts it produces are coordinated with other entities, such as the National Weather Service. The program has developed long-term performance measures that support the programs purpose—baseline data for these new measures currently are unavailable, however. The measures evaluate the program's progress in eliminating information gaps for water supply forecasting purposes, improving water supply data utility, and increasing accuracy of streamflow data. ▪ NRCS needs to develop baselines for the new long-term measures. ▪ The program also needs to develop adequate efficiency measures. ▪ The program's budget requests are not explicitly tied to achieving the long-term goals. It is unclear how performance would increase for the measures if program funding was increased. **Actions**: ▪ Improve long-term performance measures by refining the measures and developing the baseline data. ▪ Refine the program efficiency measures. **Copy Available:** http://www.whitehouse.gov/omb/part.	Average unit cost of a water supply forecast	$1,022	
	Plant Materials Program	**Results:** "Results Not Demonstrated" **Findings**: ▪ The Plant Materials Program is integrated closely into NRCS' technical assistance delivery system, and the research and training the program provides is fundamental to NRCS' mission. ▪ The program is managed effectively. ▪ While the program uses a ground-up approach to identify priority and emerging conservation issues that it can address, improvements are needed. ▪ The program lacks adequate long-term measures and targets to track its performance.			

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
5.2 (cont'd)		▪ The program's budget requests are not explicitly tied to achieving the long-term goals. It is unclear how performance would increase for the measures if program funding was increased. It also is unclear how additional program funding **Actions:** ▪ Develop long-term performance measures by refining the measures and developing the baseline data ▪ Develop Plant Material Centers efficiency measures **Copy Available:** http://www.whitehouse.gov/omb/part.			
	Forest Legacy Program	**Results:** "Moderately Effective" **Findings:** The assessment found that the program is valuable and generally has strong management. Its effectiveness could improve with the adoption of adequate performance measures that could track the percentage of priority forest lands at risk of conversion to non-forest uses that are maintained in contiguous forest. Additional findings include: ▪ Recent evaluations and program redesign have led to improvements; however work is needed to develop suitable performance goals and demonstrate results. ▪ The program has instituted a project selection process criterion that focuses on the readiness of projects. **Actions:** ▪ Complete a strategic plan that will articulate national goals, objectives and outcome-based performance measures, and identifies issues and trends affecting forests in regions across the country. ▪ Improve the link between the budget and strategic plans, and reassess funding distribution to ensure proper alignment. ▪ Develop efficiency measures. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			
	National Resource Inventory	**Results:** "Results Not Demonstrated" **Findings:** ▪ NRI is one of the Federal Government's primary sources of information on the status, condition, and trends of soil, water, and related resources in the United States. ▪ Provides the basis for specific measures and objectives in the overall NRCS strategic plan. ▪ NRCS designed the program well and effectively manages the NRI's data gathering, assessment, and information sharing.			

Perform. Measure	Program	Findings and Actions	Efficiency Measure	FY 2004 Target	FY 2004 Actual
5.2 (cont'd)		▪ Uses independent evaluations to assure the quality of the NRI's data collection and made improvements to the program's operations based on these reviews. The NRI incorporates the findings from these reviews into its 1-, 2-, and 5-year management plans. **Actions:** ▪ Develop long-term performance measures and set ambitious targets for the measures. ▪ Develop NRI efficiency measures. **Copy Available:** http://www.whitehouse.gov/omb/budget/fy2005/pma/agriculture.pdf			

N/A = Not Available

PROGRAM EVALUATIONS

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
1.1.1	GAO Report, March 2000, GAO/NSIAD-00-76 - International Trade: Strategy Needed to Better Monitor and Enforce Trade Agreements.	**Findings:** GAO recommended that the Office of the U.S. Trade Representative and the Department of Commerce and Agriculture jointly develop a strategy to better manage the U.S. Government's growing trade agreement monitoring and enforcement workload. **Actions:** GAO and FAS Deputy Administrator for International Trade Policy activities are working to implement the GAO report recommendations.	Report is available on http://www.gao.gov/new.items/ns00076.pdf
1.3.2	GAO-040437, Improved USDA Management Would Help Agencies Comply with Farm Bill Purchasing Requirements	**Findings:** ▪ Execute a management plan for completing the work. ▪ Identify and allocate the staff and financial resources needed. ▪ State the priority for the work's completion clearly. **Actions**: USDA currently is implementing the GAO recommendations .	Report is available on www.gao.gov/cgi-bin/getrpt?GAO-04-437.
1.4.1	GAO-04-517, Crop Insurance: USDA Needs to Improve Oversight of Insurance Companies and Develop a Policy to Address Any Future Insolvencies	**Findings:** Improve reviews of companies' financial conditions, establish better coordination with States on the oversight of companies and clarify RMA's authority relative to when a state regulator takes control of a company. **Actions:** RMA generally agreed with these findings and continues to take action to address them.	Report is available on http://www.gao.gov/atext/d04517.txt
	OIG-05401-12-FM, Financial Statements for Fiscal Years 2002 and 2003	**Findings:** Improve policies and procedures on access to information systems, and application program and system software changes controls. Additionally, continue to implement and improve policies and procedures to comply fully with the Federal Financial Management Improvement Act. **Actions:** RMA generally agreed with these findings continues to take action to address them.	Report is available on http://www.usda.gov/oig/webdocs/05401-12-FM.pdf
	OIG-05601-11-Te, Risk Management Agency Review of Written Agreements	**Findings:** Improve National Office oversight of Regional Office activities relative to written agreements. **Actions:** RMA generally agreed with this finding and has and continues to take action to address it.	Report is available on http://www.usda.gov/oig/webdocs/05601-11-TE.pdf
	OIG-05099-7-SF, Risk Management Agency, Indemnity Payments to Prune Producers in California – Producer D.	**Findings:** Review a prune producer and one of its two partners that did not report ownership, size and harvest of their orchards accurately. **Recommendations/Actions:** RMA has initiated action to address this matter.	Report is available on http://www.usda.gov/oig/webdocs/05099-7-SF.pdf

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
1.4.1 (cont'd)	OIG-05099-17-KC, Risk Management Agency, Established Maximum Price Elections for Agricultural Crops for 2001 and 2002 Crop Years	**Findings:** Crop Years 2001 through 2002 crop price elections were supported, reasonable and consistently applied adequately. **Actions:** No action required.	Report is available on http://www.usda.gov/oig/webdocs/05099-17-KC.pdf
	OIG-05099-25-At, Added Land Policy	**Findings:** Revisions to added land policy since Crop Year 2000 have made yields more representative of producers' operations. Review five producers to determine whether identified errors were willful or intentional. **Actions:** RMA has initiated action to address the noted discrepancies.	Report is available on http://www.usda.gov/oig/webdocs/05099-25-AT.pdf
	OIG-05099-18-KC, Risk Management Agency, Management and Security of Information Technology Resources.	**Findings**: RMA's IT environment is vulnerable to errors, misuse, abuse, unauthorized access, disruption of service and willful destruction. **Actions:** RMA generally agreed with these findings. RMA has made substantial progress in implementing the agreed to recommendations.	Report is available on http://www.usda.gov/oig/webdocs/05099-18-KC.pdf
1.4.2	Farm Service Agency Direct Farm Loan Effectiveness Study	The objectives of this multi-year study being conducted by the University of Arkansas are to (1) identify groups being served by agency loan programs, (2) examine the length of time borrowers remain agency customers and (3) measure and find ways to reduce loan subsidy costs.	A preliminary report for internal use has been issued with a final report due June 1, 2005.
2.1.1	Business Programs Assessment Reviews (BPAR)	**Findings:** National Office evaluations of the performance of individual State offices. **Actions:** Findings and recommendations vary widely by State.	Summary of findings to be available on RD Intranet Web site 2nd quarter of FY05.
2.2.1	Management Control Review SFH Section 523 Self-Help Program	**Findings:** Management Control Reviews conducted in FY 2004 to evaluate the effectiveness of program operations; reviews are conducted every two to five years, or as needed, by program experts. **Actions:** Pending receipt of formal report from OMB.	SFH MCR Report to be released in mid-September. Contact RD Financial Management Division at 202-692-0080
2.2.2	Management Control Review: Solid Waste Management Grant Program and Training Grant Program	**Findings:** MCRs were conducted on the Solid Waste Management Grant Program and Training Grant Program. **Actions:** The files were supported by the required documentation. There were no significant deficiencies.	MCR information available on RD Intranet Discussion Groups and Document Libraries in October 2004. Contact RD Financial Management Division at 202-692-0080
2.2.3 and 2.2.4	Telecommunications and Electric Data validation process	**Findings:** Subscriber growth is tracked quarterly on an aggregate basis for performance measurement reporting. **Actions**: Individual project data are periodically examined by the program line offices, and are verified by General Field Representatives when loans are in process.	Performance data available in a variety of reporting documents and from the RUS BPI coordinator. Project data are available from the individual program line offices. Contact Electric Program at 202-720-9545 Contact Telecommunications Program at 202-720-9554

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
3.1.2	FSIS Program Evaluation/Assessment To Support The Interim FSIS *Listeria* Ready-to-Eat (RTE) Rule (2004)	**Findings:** An FSIS team was formed to assess and measure the effectiveness of the new regulation. Control of *Listeria monocytogenes* in ready-to-eat meat and poultry products, 68 Federal Register, 34208 (June 6, 2003), including evaluating the microbiological verification testing program established by the regulation, communication and outreach aspects of this rulemaking, changes in industry practices that have occurred as a result of adoption of the rule, instructions and training to FSIS inspectors, and the value of FoodNet and other public health data as an indicator of program effectiveness. **Actions:** Scheduled completion by Dec. 31, 2003	Information may be requested from the USDA Food Safety Inspection Service—Office of Program Evaluation, Enforcement and Review.
3.1.3	FSIS Reviews of Foreign Meat and Poultry Establishments (2004)	**Findings:** To export product to the U.S., foreign establishments must demonstrate equivalent inspection programs, including acceptable pathogen testing programs. FSIS reviews these programs to ensure equivalency standards are met. **Actions:** Reviews conducted at least once per year per exporting country, depending on compliance history. Countries and/or establishments may be listed or delisted as approved exporters depending on these and other evaluations.	Information may be requested from the USDA Food Safety Inspection Service—Office of Program Evaluation, Enforcement and Review.
	Evaluation of the Implementation of Directive 10,010.1 (2004)	**Findings:** Program Evaluation and Improvement Staff (PEIS will conduct an evaluation of the implementation of FSIS Directive 10,010.1, concerning sampling for *E. coli* 0157:H7, approximately six months after is effective date. Although Office of Field Operations (OFO) implementation will be examined directly, the goal of the evaluation will be to determine if changes to inspection policy or to the Directive itself are necessary to better protect public health. **Actions:** Scheduled completion by Dec. 31, 2004.	Information may be requested from the USDA Food Safety Inspection Service—Office of Program Evaluation, Enforcement and Review.
	Advanced Meat Recovery Interim Final Rule Evaluation (2004)	**Findings:** PEIS also plans to evaluate the interim final rules regarding Bovine Spongiform Encephalopathy, focusing on new requirements for Advanced meat Recovery and Specified Risk Materials. Although industry compliance and Office of Field Operations (OFO) implementation would be examined directly, the goal of the evaluation will be to assist the Office of Policy, Program and Employee Development (OPPED) in determining what changes to the interim rules are necessary before they are made final. **Actions:** Tabled because OIG, GAO and AMS are conducting similar investigations.	Information may be requested from the USDA Food Safety Inspection Service—Office of Program Evaluation, Enforcement and Review.
3.2.1	"Animal Health Safeguarding Report"	**Findings:** The National Association of State Departments of Agriculture (NASDA) conducted a review of the USDA's Animal Health Safeguarding	NASDA's final report was delivered to USDA officials in November 2001 and is available at:

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
3.2.1 (cont'd)		system, assessing the performance and efficacy of the infrastructure, activities, procedures, policies, partnerships, and authorities that comprise the existing safeguarding system. **Actions:** The review found performance adequate in handling most assigned roles, and even heroic in some historical efforts to eradicate diseases that have infected U.S. livestock—but resources were fast becoming overwhelmed. The review called for: ▪ Improving areas that include, but are not limited to, staffing, equipment, surveillance, detection, applied research, communications and border security. ▪ Improving interagency and interdepartmental cooperation, and the resources to facilitate it. ▪ APHIS formed seven issue groups to develop action plans to address the issues raised in the NASDA review.	http://www.aphis.usda.gov/vs/pdf_files/safeguarding.pdf Progress achieved in implementing the Review is reported by these Issue Groups monthly and may be viewed at: http://www.aphis.usda.gov/vs/safeguarding/index.html
	"Exotic Newcastle Disease (END) After Action Review"	**Findings:** An evaluation of APHIS' response to ***Exotic Newcastle Disease*** led to general recommendations about USDA's animal health emergency response systems. It was finalized on May 21, 2004. **Actions:** Four major areas were covered in the report: ▪ Preparedness; ▪ The Incident Command System; ▪ Human resources; and ▪ External engagement (Action: Pending)	A copy of the report may be obtained from Dr. John Clifford, Deputy Administrator, USDA APHIS Veterinary Services, 202-720-5193
	"Report of the Secretary's Advisory committee on Foreign Animal and Poultry Diseases: Measures Relating to ***Bovine Spongiform Encephalopathy*** in the United States"	**Findings:** At the request of the Secretary of Agriculture, an international expert ***Bovine Spongiform Encephalopathy (BSE***) panel was convened to review actions taken by the United States in response to a single finding of ***BSE***. The panel, which was organized as a subcommittee of the Secretary's Foreign Animal and Poultry Disease Advisory Committee, provided its report on February 4, 2004. **Actions:** Among the actions taken after this report was received were: ▪ Increased sampling for ***BSE*** ▪ Animal Identification System – Listening Session; and Web site development.	The report is available at: http://www.animalagriculture.org/BSE/Report_Sec_BSE_2_13_04.htm For information about actions taken see: http://www.aphis.usda.gov/lpa/issues/bse_testing/index.html
4.1.1	Reaching Those in Need: State Food Stamp Participation Rates in 2001	Presents percentage of eligible persons by State. These estimates differ slightly from those reported last year because of the change in the reference period from the month of September to the average month across the fiscal year, and improvements in data and methods.	Available on the FNS Web site at: http://www.fns.usda.gov/oane/MENU/Published/FSP/participation.htm
	Food Stamp Household Characteristics FY 2002	This report provides summary information about the demographics and income circumstances of food stamp households.	Available on the FNS Web site at http://www.fns.usda.gov/oane/MENU/Published/FSP/participation.htm

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
4.1.1 (cont'd)	Food Stamp Program—Elderly Nutrition Demonstrations: Interim Report on Elderly Participation Patterns	Tests three strategies to increase FSP participation among the elderly. Preliminary analysis indicates that elderly participation rose substantially after the demonstrations started. The analysis also provides some evidence that the demonstrations attract elderly individuals eligible for relatively low FSP benefits particularly in Maine and North Carolina, where a large number of individuals eligible for a $10 benefit are applying.	Available on the ERS Web site at http://www.ers.usda.gov/Publications/efan04009/
	WIC and the Retail Price of Infant Formula	Rebates from infant formula manufacturers to State agencies that administer WIC support over one-quarter of all participants. This report presents findings from the most comprehensive national study of infant formula prices at the retail level.	Available on the ERS Web site at http://www.ers.usda.gov/publications/FANRR39/
	Food Stamp Program Access Study: Eligible Non-participants	While many food stamp-eligible non-participants are aware of the FSP and how to apply, some are unaware of their eligibility. This report was produced as part of the Food Stamp Program Access Study. The study examined local food stamp office policies and practices as possible barriers to participation.	Available on the ERS Web site at http://www.ers.usda.gov/publications/efan03013/efan03013-2/
	Relationship Between the EITC and Food Stamp Program Participation Among Households With Children	This study examines how these two programs interact, particularly with regard to the impact of the EITC on participation during the latter half of the 1990s. The findings are mixed and they provide evidence of negative impact of EITC on FSP participation.	Available on the ERS Web site at http://www.ers.usda.gov/publications/efan04002/
	Food Stamp Program Access Study	This report examines the extent to which local office policies and practices affect households' decisions to apply for food stamps and continue participating once they are approved for stamp benefits.	Available on the ERS Web site at http://www.ers.usda.gov/ publications/efan03013/
	Employment Factors Influencing Food Stamp Program Participation: Final Report	This study examines how employment characteristics of low-income households affect FSP participation. The relationship between employment and FSP participation is of special interest because, although more low-income working families are eligible to participate, many do not. Low-income working households are less likely to participate.	Available on the ERS Web site at http://www.ers.usda.gov/publications/efan03012/
	Using One-Stops To Promote Access to Work Supports—Lessons from Virginia's Coordinated Economic Relief Centers: Final Report	The results indicate that the Coordinated Economic Relief Centers (CERCs) helped some customers get information about where to find services and made obtaining them more convenient. Despite this, resource constraints hampered the CERCs' efforts to operate as envisioned, the level of referrals to food assistance.	Available on the ERS Web site at http://www.ers.usda.gov/publications/efan03010/
	The Relationship of Earnings and Income to Food Stamp Participation: A Longitudinal Analysis	This study considers the role that the dynamics of household income plays in determining FSP participation. The two main objectives of the analysis are to (1) determine the extent to which non-participation can be attributed reasonably to temporary low income, and (2) assess why some households that appear to have long-term low income do not participate.	Available on the ERS Web site at http://www.ers.usda.gov/publications/efan03011/

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
4.1.1 (cont'd)	Household Food Security in the United States, 2002	This report, based on data from the December 2002 food-security survey, provides statistics on the food security of U.S. households. The survey also details how much they spent for food and the extent to which food-insecure households participated in Federal and community food assistance programs.	Available on the ERS Web site at http://www.ers.usda.gov/publications/fanrr35/
4.2.1	Maternal Employment and Children's Nutrition: Diet Quality and the Role of CACFP	This study analyzed differences in nutrition outcomes among children whose mothers work full time, part time and not at all. It also covered the role that CACFP plays in meeting the nutritional needs of participating children — especially those with working mothers.	Available on the ERS Web site at http://www.ers.usda.gov/publications/efan04006/efan04006-1/
4.2.2	The Economics of Obesity: A Report on the Workshop Held at USDA's Economic Research Service	This report presents a summary of the papers and the discussions presented at the workshop. It was intended to provide an overview of leading health economics research on the causes and consequences of rising obesity in the U.S.	Available on the ERS Web site at http://www.ers.usda.gov/publications/efan04004/
4.3.1	Balancing Food Costs with Nutrition Goals in WIC	A case study of 6 States found that WIC agencies, using a variety of food restrictions, reduced food costs by an average of 15 percent without diminishing participant use and satisfaction. These cost-containment practices appear to have had few adverse outcomes for participants.	Available on the ERS Web site at http://www.ers.usda.gov/AmberWaves/September03/Features/FoodCostsWIC.htm
	Case study of the National School Lunch Program and the School Breakfast Program	The study examined outcomes of the verification process. It also made an independent assessment of income eligibility with specific verification outcomes. To do this, the study used data from in-person interviews with families.	Available on the FNS Web site at http://www.fns.usda.gov/oane/MENU/Published/CNP/FILES/NSLPCaseStudy.htm
5.1.1 and 5.1.2	GAO-04-705 Environmental Effects of Wildland Fire	**Findings:** Develop and issue guidance, with CEO and taking into account any lessons learned from the CEQ demonstration program, to clarify the assessment and documentation of the risks of environmental effects associated both with conducting and not conduction fuel reduction activities. **Actions:** USDA reviewed the lessons learned from the CEQ demonstration program and determined that existing direction is generally adequate for implementing these lessons. Risks associated with not taking action to reduce fuels (the no action to reduce fuels (the no action alternative) are assessed with	Available on the FAO Web site: http://www.gao.gov/new.items/d04705.pdf
5.2.2	GAO-03-418: USDA Needs to Better Ensure Protection of Highly Erodible Cropland and Wetlands.	**Findings:** NRCS and FSA should improve processes for reviewing compliance and enforcing requirements. **Actions:** Web-based tracking system implemented. Policy revised and clarified.	Report is available on http://www.gao.gov/new.items/d03418

Perform. Measure	Title	Findings and Recommendations/Actions	Availability
5.2.2 (cont'd)	OIG-10099-8-KC: Compliance with Highly Erodible Land Provisions	**Findings:** Improvements in prescribed controls are needed to strengthen the agency's ability to provide accurate and reliable assessments of producer compliance with the HELC provision. **Actions:** Web-based tracking system implemented. Policy revised and clarified.	Report is available on www.oig.usda.gov www.usda.gove/oig/webdocs/10099-8KC.pdf
5.2.2 and 5.2.3	GAO-03-418: USDA Needs to Better Ensure Protection of Highly Erodible Cropland and Wetlands.	**Findings:** NRCS and FSA should improve processes for reviewing compliance and enforcing requirements. **Actions:** Web-based tracking system implemented. Policy revised and clarified.	Report is available on www.gao.gov www.gao.gov/new.items/d03418.pdf