

## **STRATEGIC GOAL 1: ENHANCE ECONOMIC OPPORTUNITIES FOR AGRICULTURAL PRODUCERS**

Expanding markets for agricultural products is critical to the long-term economic health and prosperity of our food and agricultural sector. U.S. farmers have a wealth of natural resources, cutting edge technologies, and a supporting infrastructure that result in a production capacity beyond domestic needs. This capacity can be used in expanding global markets and in the development of new uses for agriculture in industrial and pharmaceutical markets.

### **Objective 1.1: Expand International Marketing Opportunities**

The most effective means of expanding foreign market opportunities is through new trade agreements that increase market access and reduce trade impediments. To achieve this, USDA will work with the Office of the U.S. Trade Representative to pursue new trade agreements and enforce provisions of existing agreements. Greater access to foreign markets for our producers requires aggressive trade policy to lower tariffs and eliminate distorting subsidies. Other nations are aggressively pursuing agreements, many in the Western hemisphere where the U.S. should have transportation and other advantages. Without persistent efforts on our part, our producers will find market opportunities denied by others' preferential agreements.

USDA plans to sharpen the focus of its programs, services, education, and information toward high economic growth areas while working actively to maintain existing markets. In managing these programs, USDA works in partnership with producers, trade associations and exporters to realize the benefits that will flow from trade reform and the resulting global market expansion. High-growth areas for food demand are middle-income and developing countries where both population and income are growing relatively rapidly. While exports of traditional commodities will continue to grow, consumer-oriented, high-value exports (meats, poultry, fruits and vegetables, and processed grocery products) will grow even more rapidly and now account for two-thirds of total sales.

### **Performance Measures**

Negotiations and enforcement of multilateral, regional, and bilateral trade agreements, and other market access activities will support the expansion of U.S. agricultural exports.

*Baseline:* 2002 — Ongoing World Trade Organization (WTO) negotiations with 144 developed and developing countries; Ongoing Free Trade Area of the Americas (FTAA) negotiations with 34 hemispheric democracies; Ongoing or proposed bilateral and regional negotiations with Australia, Chile, Singapore, Morocco, Central America and Southern Africa Customs Union.

*Target:* 2005 — WTO negotiations completed which result in much improved competitive environment for U.S. agriculture; FTAA negotiations completed which foster freer trade in goods and services among countries in the hemisphere; Bilateral and regional negotiations completed which allow for improved economic conditions and greater access for U.S. food and agricultural products to these markets.

### **Actionable Strategies**

USDA will continue to work aggressively to increase U.S. food and agricultural exports to global markets. We also will support expansion of domestic markets for U.S. agricultural products and provide

timely and accurate market information and education to help producers make marketing decisions. Future actions will include:

- Work with the Office of the U.S. Trade Representative to negotiate a comprehensive liberalization package for agriculture under the Doha Development Agenda of the WTO, regional trade agreements, and selected bilateral agreements.
- Implement a global strategy for trade development and promotion assistance that aligns programs, technologies, trade capacity building, research and education (through a new Trade Education Initiative), and marketing strategies to maintain existing markets and while pursuing new growth opportunities.
- Conduct research to fully comprehend and articulate the effects and impacts of trade agreements, political and economic structural changes, and technology developments on the comparative and competitive advantage of U.S. agriculture.
- Expand efforts to reduce sanitary and phytosanitary restrictions and other technical barriers to trade placed on U.S. exports by aggressive enforcement of existing trade agreements and research to develop technologies to mitigate animal and plant health threats.
- Enhance the exchange of information relating to the practical implications of implementing laws and regulations that require testing and labeling of products developed through modern biotechnology.
- Provide timely and accurate agricultural statistics, information, economic research, and education to assist farm business decision-making.

## **Objective 1.2: Support International Economic Development and Trade Capacity Building**

The United States carries out a broad range of activities and initiatives, including foreign food assistance that fosters economic growth and trade capacity building in developing countries around the world. Because many developing and transition countries' economies are largely agrarian-based, agriculturally based development and trade are extremely important to economic growth. USDA works with the U.S. Agency for International Development, U.S. Food and Drug Administration, and other Federal agencies supplying technical research and development assistance to developing and transition economies, in a number of different fields, to improve and expand their capacity to produce and trade agricultural products in which they have a comparative advantage.

### **Performance Measures**

Increase the number of activities/projects completed in support of international economic development and trade capacity building in developing and transition countries.

*Baseline:* 2002 — 1,005 activities/projects completed.

*Target:* 2007 — 1,100 activities/projects completed.

Provide targeted foreign food assistance that assists developing and transition countries in meeting their immediate food and agricultural import needs and that fosters economic growth and development, which increases their ability to meet their import needs commercially.

*Baseline:* 2001 — Share of countries' food import needs met through USDA-administered food assistance programs is 1.1 percent.

*Target:* 2007 — With increased reliance on commercial imports, the share of countries' food import needs met through USDA-administered food assistance programs is reduced to 0.8 percent.

## Actionable Strategies

- Provide targeted foreign food assistance that supports needed agricultural investments and policy reforms that will foster agricultural development and economic growth in developing and transition countries.
- Work with developing and transition countries to achieve freer trade and to help ensure that benefits, especially increased incomes and more stable supplies of food, are equitably realized.
- Provide technical assistance to developing and transition countries to help them bring their sanitary standards up to par with those of major import markets so they can sell their agricultural commodities on international markets.
- Offer technical assistance to developing and transition countries to help them develop credible processes and systems to collect, analyze, and report statistics needed to monitor agriculture sector performance, to formulate agriculture policies, and to implement agriculture programs.
- Assist developing and transition countries in building institutions that can provide the economic and technical assistance directly to farmers and merchandisers to augment production for local consumption and international markets.
- Strengthen research and training programs that share vital agricultural knowledge with producers around the world in order to expand the productivity and nutritional impact of global agriculture.
- Continue research, training, and technical assistance activities related to building trade and economic capacity via sound science and technology—especially agricultural biotechnology—based on the expanded goals outlined in our U.S. Action Plan on Food Security. Future actions will include: enhancing our ability to respond to regulatory and trade issues concerning agricultural biotechnology products through monitoring, research, policy analysis, and assessment.

## Objective 1.3: Expand Alternative Markets for Agricultural Products and Activities

Technological progress is increasingly pushing the market for agricultural products in new directions. Biobased technologies promise new opportunities for energy, industrial, and pharmacological markets for U.S. farmers. For example, agriculture is the source of: clean-burning fuel and industrial ethanol, a variety of specialty chemicals, soy-based inks and diesel fuel, industrial adhesives, biopolymers, and films, all derived from plants rather than from petroleum and other mined raw materials. In addition to the emergence of new markets for products made from agricultural materials, new markets are emerging for environmental activities and products that mitigate environmental concerns, such as offsetting greenhouse gas emissions through carbon sequestration and other farming and ranching activities. Key priorities for USDA will be research to support development of new markets and products, including implementation of Title IX of the Farm Security and Rural Investment Act of 2002 (2002 FSRIA), the first energy title ever in a farm bill.

### Performance Measures

Implement the President's Energy Policy through the Federal procurement program for biobased products.

*Baseline:* 2002 — Few Federal agencies are aware of or purchase biobased products.

*Target:* 2004 — USDA guidelines developed in accordance with Title IX of 2002 FSRIA direct all Federal agencies to give procurement preference to biobased products. At least 50 products in five or more categories are qualified for inclusion on the Designated Biobased Products List for procurement by Federal agencies. Criteria will have been established for granting use of a “USDA Certified Biobased Product” Label for qualifying manufacturers and vendors.

*Baseline:* 2002 — Few Federal agencies have specified administrative procedures governing their acquisition of biobased products.

*Target:* 2004 — USDA will have developed and implemented a model education program and procurement guidelines for procurement of biobased products by USDA agencies. Based on this model, and working with the Office of Federal Procurement Policy, USDA supports an outreach effort to other Federal departments and agencies to help them develop biobased procurement programs.

*Baseline:* 2002 — Few farms produce energy on the farm for their own use or sale.

*Target:* 2004 — At least 50 farms, which could be used as demonstration projects, will have on-farm processes, such as methane digesters, supported by USDA technical and financial assistance programs, to produce energy.

*Baseline:* 2002 — Bioproducts made from biomass account for a very small fraction of farm output and face a range of technical barriers to commercial application.

*Target:* 2004 — USDA, working with the Department of Energy, will have in place a jointly developed research program of competitive grants to speed commercialization of a variety of bioproducts made from biomass.

*Baseline:* 2002 — Essentially no farms are sequestering carbon as an economic activity, such as receiving compensation for sequestration activities from an emitter of greenhouse gases.

*Target:* 2004 — USDA, in conjunction with the Department of Energy, will provide accounting rules and guidelines for entities that offset greenhouse gas emissions through carbon sequestration of other means, thereby providing the verifiable and quantifiable basis for establishing a market for greenhouse gas offset activities in agriculture.

### **Actionable Strategies**

USDA will continue research, education and technical assistance activities related to building economic capacity and trade via sound science and technology—especially technologies that help commercialize new processes and new uses of agricultural products and activities that improve energy security, promote sustainable agricultural and forest practices, and stimulate farm income and rural economic activity.

Future actions will:

- Focus existing research, education and marketing programs to encourage new, innovative, and alternative uses for agricultural commodities and bioproducts.
- Expand research, education and extension output to help producers, processors, and distributors address changing consumer needs, tastes, and preferences, risk, and agricultural market structural changes.
- Qualify and test biobased products for inclusion in a preferred procurement list and develop guidelines to direct Federal agencies in their procurement of biobased products.
- Establish a voluntary labeling program for biobased products and make manufacturers and purchasers of biobased products aware of the Federal procurement program.
- Use loan and grant programs to increase energy production from the nation's farms, ranches, and forests and to increase electricity production by the nation's electrical cooperatives from renewable sources.

- Use conservation programs to achieve the simultaneous benefits of conservation, greenhouse gas offsets and development of biomass and other products, helping to generate new markets for products such as renewable energy.
- Strengthen working relationships with other Federal agencies and departments to coordinate programs related to development of new markets for agricultural products and activities, including the Department of Energy, the Environmental Protection Agency, the Department of the Interior and the Office of Federal Procurement Policy.

## **Objective 1.4: Provide Risk Management and Financial Tools to Farmers and Ranchers**

Agricultural producers, like other business owners, use a variety of tools to manage risks, including crop insurance, credit, direct payments (including countercyclical payments) and marketing alternatives. Today, about three-quarters of the acreage planted to major crops is at least minimally insured and coverage is expanding through the provision of crop insurance to more crops and the development of new types of coverage, such as for livestock and revenue. These programs, along with diversified production, marketing, use of futures and options, and other federal program alternatives, allow each producer to customize their risk management strategy. USDA's role is to expand and improve these safety net programs and to provide research and education to help producers better manage their natural and economic risks. We will also ensure that minority and socially disadvantaged farmers and ranchers have the opportunity to participate fully in all programs.

### **Performance Measures**

Expand USDA risk management tools available for agricultural producers to use in managing production and price risks.

*Baseline:* 2001 — Crop insurance is provided for about \$36 billion in potential liabilities.

*Target:* 2007 — Crop insurance will be provided for about \$43 billion in potential liabilities.

*Baseline:* 2001 — 78 percent of planted acres had crop insurance coverage.

*Target:* 2007 — 80 percent of planted acres will have crop insurance coverage.

*Baseline:* 2001 — Crop insurance was available for 355 commodities.

*Target:* 2007 — Crop insurance will be available for 437 commodities with an emphasis on increasing livestock, pasture and rangeland, hay and specialty crop coverage.

Improve customer service by increasing the efficiency of loan processing.

*Baseline:* 2001 — Average direct loan processing time was 44 days.

*Target:* 2007 — Will reduce the average direct loan processing time to 34 days (more than a 22% improvement).

*Baseline:* 2001 — Average guaranteed loan processing time was 17 days.

*Target:* 2007 — Will reduce the average guaranteed loan processing time to 14 days (more than a 17% improvement)

Improve fiscal soundness of the direct loan portfolio.

*Baseline:* 2001 — Direct loan delinquency rate was 15.4% (average for FY 1996-2001).

*Target:* 2007 — Reduce direct loan delinquency rate to 15% or lower.

*Baseline:* 2001 — Loss rate on direct loans was 4.9% (average for FY 1996-2001).

*Target:* 2007 — Maintain loss rate at or below 5%.

Increase the efficiency, integrity and ease-of-use of the farm programs through electronic filing.

*Baseline:* 2002 — 63 percent of farm commodity and loan program forms can be accessed, completed and returned electronically.

*Target:* 2007 — 85 percent of farm commodity and loan program forms can be accessed, completed and accepted electronically.

### **Actionable Strategies**

Improve the effectiveness of programs to support producers . Future actions will:

- Increase available coverage of risk management programs to additional products, including livestock.
- Provide access to credit, financing and education to support farm ownership and operations.
- Provide timely and accurate payments to farmers in accordance with the 2002 FSRIA.
- Continue to use prudent underwriting practices, borrower supervision, and loan servicing tools to maintain low loss rates.
- Fully implement recent actions to increase access to credit programs for minority and socially disadvantaged farmers and ranchers including: 1) establishing the Office of Minority and Socially Disadvantaged Farmer Assistance and a national toll-free telephone help line to work with farmers who have concerns and questions about loan applications; 2) establishing a national team to review all borrower files for minority farmers; and 3) increased funding for direct operating loans for minority, small, beginning, limited resource and other farmers.
- Integrate USDA loan-making business processes and systems with the President's eLoans initiative.

### **Key External Factors for Strategic Goal 1**

Weather and other growing conditions at home and abroad, domestic and international macroeconomic factors including consumer purchasing power, the strength of the U.S. dollar and competing currencies, and political changes in other countries, can have major impacts on domestic and global markets in any year.