

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

Exhibit 2: Resources Dedicated to Enhance Economic Opportunities for Agricultural Producers

USDA Resources Dedicated to Strategic Goal 1	FY 2003		FY 2004	
	Estimate	Percent of Total USDA	Estimate	Percent of Total USDA
Program Level (\$ Mil)	42,282	37%	37,794	36%
Staff Years	26,965	24%	24,059	22%

Goal 1 covers a myriad of programs and services USDA offers to agricultural producers to enhance their economic opportunities. A key to success in delivering these services at USDA is our focus on customers. With this in mind during FY 2003 and 2004, the Department will be actively engaged in modernizing its service delivery infrastructure to ensure services are offered in the most cost-effective and efficient manner. Several initiatives are being launched to expand USDA's accessibility and capability to deliver its services in the most customer-friendly manner possible.

It is imperative for USDA to deliver high-quality, objective, relevant, timely and accurate statistics to producers and other data users in order to make sound, informed production and marketing decisions. Official USDA statistics promote a level playing field in production agriculture with impartial information available to the public at a predetermined and publicized date and time. Basic data supplied by USDA provides the information necessary for informed decision-making by public officials and private interests. These decisions will ultimately determine the success in achieving desired outcomes. USDA policymakers and Congress use this information to make informed decisions and policies that provide effective programs for producers and promote a strong, sustainable United States (U.S.) farm economy.

## **OBJECTIVE 1.1: EXPAND INTERNATIONAL MARKETING OPPORTUNITIES**

Exhibit 3: Resources Dedicated to Expanding International Marketing Opportunities

USDA Resources Dedicated to Objective 1.1	FY 2003		FY 2004	
	Estimate	Percent of Goal 1	Estimate	Percent of Goal 1
Program Level (\$ Mil)	5,860	14%	5,019	13%
Staff Years	6,280	23%	6,252	26%

The most effective means of expanding foreign market opportunities is through trade agreements that either assure continued access to markets or increase market access by reducing trade impediments. USDA will work with the Office of the United States Trade Representative (USTR) 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 non-tariff restrictions.

USDA plans to sharpen the focus of our exporter assistance programs, outreach and education activities and information services to enhance American exporters' success in both emerging markets and in existing, highly competitive ones. USDA works in partnership with exporters to realize market development and promotional activities through trade shows, foreign trade missions and foreign buyer alerts. Through focused outreach activities, USDA also is working to educate U.S. producers, processors, and exporters on emerging trade opportunities and the importance of product differentiation in the increasingly competitive global marketplace.

The U.S. plays a leadership role in promoting safe trade. USDA is working to ensure that international standards regarding animal and plant health are developed and adopted worldwide. Some trade issues involve highly technical scientific matters that must be resolved to remove barriers.

While U.S. exporters of traditional bulk commodities will continue their successful partnership with USDA, U.S. exporters are facing increasingly stiff foreign competition in consumer-oriented, high-value import markets (such as meats, poultry, fruits and vegetables and processed grocery products). These value-added food products, which also help create jobs in rural communities and now account for two-thirds of international trade by all countries worldwide, are targets for expanded promotional efforts.

USDA will work to improve wholesale and other direct marketing facilities to encourage farmers' markets and other endeavors that connect consumers directly with farmers, keeping a larger percentage of America's food dollar on the farm. A key way to improve domestic marketing is by tailoring food and fiber products to satisfy niche markets. USDA helps producers and processors learn how to respond to new consumer demands and seize more market opportunities to increase their profitability.

### **Improve International Marketing Opportunities**

To secure new trade agreements, the USDA is working closely with the USTR Office and is participating in World Trade Organization (WTO) negotiations with 144 developed and developing countries. The preparation for the current Doha Round of WTO negotiations began in FY 2000. The negotiations are scheduled to be completed January 1, 2005 (FY 2006).

Free Trade Agreements (FTA) will be pursued to both complement and reinforce multilateral negotiating objectives. FTA negotiations have recently been completed with Chile and Singapore in FY 2003. FTA negotiations targeted for completion in FY 2004 are Morocco and Central America.

Due to the extended time for these agreements to be finalized and the gradual implementation schedule, expanded U.S. market opportunities, particularly in the short term (1-3 years) will be modest and only increase as the agreements are implemented.

To bolster the Department's efforts to increase access to overseas markets, the FY 2004 budget proposes to establish a fund within the Office of the Secretary to support important, cross-cutting trade related and biotechnology activities. The requested funding of \$6.6 million will be available to support the work of USDA agencies in their trade negotiation, compliance, monitoring and enforcement activities. It also will help to address the growing array of regulatory and market access issues related to biotechnology.

**Exhibit 4: Increasing U.S. Marketing Opportunities**

Annual Performance Goals and Indicators	Fiscal Year					
	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Target 2003	Target 2004
1.1.1 Estimated annual trade opportunities preserved through WTO trade negotiations and notification process (\$ Million)	\$1,999	\$837	\$1,329	\$1,327	\$1,400	\$1,450
1.1.2 Estimated gross trade value of markets expanded/retained by market access activities other than WTO notification process (\$Million)	\$2,525	\$4,349	\$2,684	\$3,818	\$3,900	\$3,950
1.1.3 Average tariff rate on agricultural imports worldwide (Percent)	65%	65%	65%	65%	65%	65%
1.1.4 Increase the new or modified export protocols that facilitate access to foreign markets	N/A	N/A	N/A	46	46	50
1.1.5 Increase the international animal and plant health standards adopted	N/A	N/A	N/A	7	6	6

**Means and Strategies**

Planned actions for achieving these performance goals and related objective include the following:

- Assist U.S. exporters in strategic market development.
- Negotiate to reduce market access barriers, reduce trade-distorting domestic supports and eliminate export subsidies.
- Enforce existing trade agreements through monitoring and surveillance of foreign government policies and practices, and pursue appropriate remedies either in bilateral or in multilateral settings.
- Provide market development support and assistance through cost-sharing promotional activities, trade show assistance and foreign trade missions and foreign buyer alerts.
- Educate U.S. producers and processors on emerging trade opportunities and the importance of product differentiation in the increasingly competitive global marketplace.
- Certify the health of animals and plants and related products for export and interstate commerce.
- Implement programs that encourage new, innovative and alternative uses for agricultural commodities and byproducts.
- Expand research, education and extension activities to help producers, processors and distributors develop new products.

- Provide timely and accurate agricultural statistics used to determine supplies and establish competitive prices in the world markets.

**Key External Factors**

Factors that may impede achieving this goal include economic conditions that affect import demand for U.S. products; remaining trade barriers in other countries outside of negotiated agreements; noncompliance of agreements; creation of new trade barriers to U.S. market access; and trade promotion and marketing practices of foreign competitors.

## OBJECTIVE 1.2: SUPPORT INTERNATIONAL ECONOMIC DEVELOPMENT AND TRADE CAPACITY BUILDING

### Exhibit 5: Resources Dedicated to Support International Economic Development and Trade Capacity Building

USDA Resources Dedicated to Objective 1.2	FY 2003		FY 2004	
	Estimate	Percent of Goal 1	Estimate	Percent of Goal 1
Program Level (\$ Mil)	2,022	5%	1,596	4%
Staff Years	763	3%	762	3%

Many developing and transition countries receive U.S. funds and technical assistance for agricultural development and trade to help spur economic growth. USDA, working with the U.S. Agency for International Development (USAID), the U.S. Food and Drug Administration (FDA) and other Federal agencies, supplies technical assistance in a number of different fields to improve and expand capacity to produce and trade agricultural products.

USDA focuses on four primary areas with respect to economic development and trade capacity building in developing and transitioning economies. These include: trade and investment liberalization; research and education; development of market information and mapping systems and processes; and institution building to support sustainable agricultural development. USDA targets developing and transition countries with several programs designed to enhance economic development and trade capacity building. These include the Cochran Fellowship program, the Emerging Markets program and a research and scientific exchange program. USDA also is working to strengthen linkages between U.S. agricultural communities and multilateral development banks that will assist developing nations while also serving U.S. agricultural interests.

### Support International Economic Development and Trade Capacity Building

USDA's research, training and technical assistance activities related to building trade and economic capacity via sound science and technology—especially agricultural technology—expand the goals outlined in its *U.S. Action Plan on Food Security*. USDA works with other Federal agencies, multilateral institutions, colleges and universities and research institutions to administer activities and projects that will result in long-term improvements in the economies and trade capacity of developing and transition countries.

A major focus of the Department's efforts during FY 2003 to assist countries advance their agricultural development and improve food security will be a Ministerial Conference and Expo on Agricultural Science and Technology to take place in Sacramento, California in June 2003. The Conference will focus on the critical role science and technology can play in raising sustainable agricultural productivity in developing countries, with the goal of boosting food availability and access and improving nutrition. USDA is sponsoring the conference jointly with the USAID and Department of State. Ministers from over 180 countries have been invited.

For FY 2004, the Department's budget proposals request additional funding for the Foreign Agricultural Service (FAS) for a trade capacity building initiative. This request includes assistance to countries to implement the Cartagena Protocol on Biodiversity. The protocol addresses the transboundary movement of living modified organisms (LMOs). USDA intends to ensure that the protocol's provisions are properly

interpreted and applied in order to avoid trade disruptions. USDA will work with developing countries so that science based, transparent, and non-discriminatory regulatory systems are adopted.

**Exhibit 6: Promoting Assistance on International Economic Development**

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
1.2.1 Increase the activities/projects completed in support of international economic development and trade capacity building in developing and transition countries (Cumulative)	789	967	1,005	1,005	1,020	1,040

**Means and Strategies**

Planned actions for achieving this performance goal and related objective include the following:

- Work with developing and transition countries to achieve freer trade and assure that benefits, especially increased incomes and more stable supplies of food, are equitably realized.
- Provide technical assistance to developing and transition countries in helping bring their sanitary standards up to par with those of major import markets so they can sell their agricultural commodities on international markets.
- Provide technical assistance to help developing and transition countries develop credible statistical systems needed to monitor agriculture sector performance, to formulate agricultural policies and to implement agriculture programs.

**Key External Factors**

Factors that may impede achieving this goal include recipient country policies, cultural barriers and receptivity to change.

**Support Foreign Food Assistance**

More than 800 million people worldwide suffer from hunger and malnutrition—most of them children. The U.S is the world’s leader in international food aid, providing over 50 percent of total worldwide food assistance to combat this challenge. Working with the USAID, non-profit organizations and American universities, USDA works continuously to meet immediate food aid needs while seeking long-term solutions to alleviate global food insecurity. These activities foster economic growth and development, which increases the recipient countries’ ability to reduce their dependence on food aid, to increase domestic production and to reduce their reliance on commercial imports.

During FY 2003, USDA will begin implementation of the new McGovern-Dole International Food for Education and Child Nutrition Program that was authorized by the 2002 FSRIA. The program provides for the donation of U.S. agricultural commodities and associated financial and technical assistance to carry out preschool and school feeding programs in developing countries. Maternal, infant and child nutrition programs also are authorized under the program. Its purpose is to improve food security, reduce the incidence of hunger and malnutrition and improve literacy and primary education. During FY 2003, the program will be funded through the Commodity Credit Corporation (CCC). Beginning in FY 2004, the program is funded through appropriations, and the Department’s FY 2004 budget requests \$50 million for that purpose.

Exhibit 7: Reduce Reliance on Food Aid Programs

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
1.2.2 Share of countries' food import needs met through food aid programs (Percentage)	1.99%	1.06%	1.70%	1.50%	1.40%	1.30%
1.2.3 Improve food security and nutrition through McGovern-Dole Food for Education Program by the number of daily meals and take-home rations for mothers, infants, and schoolchildren (Mill)	NA	NA	NA	NA	1.75	1.75
1.2.4 Improve literacy and primary education through McGovern-Dole Food for Education Program.						
• Percent increase in enrollment for Girls/Boys	N/A	N/A	N/A	N/A	5%	5%
• Percent increase in the proportion of children who are promoted	N/A	N/A	N/A	N/A	10%	10%

**Means and Strategies**

Planned actions for achieving this performance goal and related objective include the following:

- Target short-term economic and food aid assistance to developing and transition countries suffering from economic and food insecurity resulting from natural and manmade disasters and famine conditions.
  - Dependence on foreign food assistance will decrease as developing countries increase both their domestic food production capabilities and their commercial food purchases.
- Implement the McGovern-Dole Food for Education Initiative to improve food security and nutrition, as well as literacy and primary education among children in developing countries.

**Key External Factors**

Factors that may impede achievement of this objective include U.S. domestic supply situation and global weather patterns and their impacts in major producing and importing countries.

## **OBJECTIVE 1.3: DEVELOP ALTERNATIVE MARKETS FOR AGRICULTURAL PRODUCTS AND ACTIVITIES**

Exhibit 8: Resources Dedicated to Develop Alternative Markets for Agricultural Products and Activities

USDA Resources Dedicated to Objective 1.3	FY 2003		FY 2004	
	Estimate	Percent of Goal 1	Estimate	Percent of Goal 1
Program Level (\$ Mil)	512	1%	400	1%
Staff Years	1,264	5%	1,269	5%

This objective is important to implement the President’s energy policy by increasing the production and use of bioenergy, biobased products and renewable energy. The passage of FSRIA provides new opportunities for USDA to foster the development and use of bioenergy, biobased products and renewable energy and to assist farmers, ranchers and small rural businesses in becoming more energy efficient. 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.

A step in this process is to encourage the development of renewable and biomass based energy production by farmers, ranchers and small rural businesses to electric power distribution companies. Another step is to increase the demand for biobased products by Federal agencies to foster economies of scale in the production and marketing of such products. Similarly USDA will support research, development and demonstration of bioenergy and biobased product production aimed at improving the conversion efficiency and economic viability of these products in the market place.

### **Increase the Use of Bioenergy and Biobased Products**

In collaboration with the Department of Energy (DOE), USDA will work to address the President’s Energy Policy. Each Department will carry forth projects, consistent with that Department’s comparative advantage, assuring that the effort is complementary. USDA and DOE also will cooperate on programs in a number of areas.

In accordance with Section 9002 of Title IX of FSRIA, USDA will develop, publish and issue guidelines and will work with all Federal agencies to create a regulatory framework for procurement preference for biobased products. An outreach and education program for federal agencies will be developed in cooperation with the Office of Federal Procurement Policy.

An outreach program will inform the manufacturers and vendors of the steps needed to qualify their products for preferred procurement. Iowa State University is developing the infrastructure to operate this program, including an interactive electronic website that will list information on biobased products that manufacturers/vendors voluntarily provide.

In accordance with Section 9006 of Title IX of FSRIA, USDA will implement a loan, loan guarantee and competitive grant program that will support development of renewable energy systems and energy efficiency improvements for farms, ranches and small businesses. This program will encourage agricultural producers to begin producing energy on the farm from agricultural or waste materials. This program also supports objective 2.1, creating economic opportunity using USDA financing of businesses.

In accordance with Section 9008 of Title IX of FSRIA, USDA will operate a competitive grant program, jointly with DOE, to stimulate research focusing on the production and use of bioproducts made from biomass. This initiative will support the objectives of the Biomass Research and Development Act of 2000.

USDA will also work with DOE to improve DOE's 1605 (b) program for registering greenhouse gas offset activities of farmers, ranchers and foresters. These improvements will encourage carbon sequestration and other greenhouse gas mitigation activities that will support the President's national energy policy and provide producers with economic opportunities by providing the basis for carbon sequestration credit trading.

USDA will continue a program under which the Secretary provides incentive payments to eligible producers for increased production of ethanol and biodiesel Section 9010 Title IX of FSRIA. FSRIA authorizes not more than \$150 million in funding, out of the funds of the CCC, for each of the fiscal years 2003 through 2006.

**Exhibit 9: Increase the Use of Bioenergy and Biobased Products**

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
1.3.1 Increase the use of bioenergy and biobased products**:						
• Qualify the number of products in five or more categories of Biobased Products for preferred procurement by Federal agencies	N/A	N/A	N/A	N/A	N/A	10 in 2
• Encourage a number of farmers to produce energy for their own use and sale (# farms, ranches, & businesses assisted)	N/A	N/A	N/A	N/A	140	18
• Develop a research, development and demonstration program to increase production of bioenergy, bioproducts and renewable energy (# projects funded)	N/A	N/A	N/A	2	5	5
• Develop accounting rules and guidelines for greenhouse gas offset activities in agriculture (Percentage)	N/A	N/A	N/A	Create Baseline	50%	100%

\*\* The FSA is developing measures to focus on the desired key outcomes of the CCC bioenergy program. The agency is planning to provide new measures in time for the FY 2005 budget submission.

**Means and Strategies**

Planned actions for achieving this performance goal and related objective include the following:

- Issue guidelines for the federal procurement program for biobased products.
- Develop an outreach program to manufacturers/vendors of biobased products, supported by an electronic information system on which manufacturers may post information on qualifying biobased products they offer to federal agencies under the new procurement program; identify and qualify test centers to test biobased products; conduct tests of biobased products; develop business plan for operation of program and develop a logo for use in labeling program through Iowa State University under a cooperative agreement with Office of Energy Policy and New Uses (OEPNU).
- Develop model procurement program within USDA to promote purchase of biobased products by USDA agencies.
- Publish a Notice of Funds Availability informing potential grantees of a program to support development of energy efficiency and renewable energy development for farmers, ranchers and small rural

businesses. Evaluate grant proposals under the competitive program and commit available funding to requests for funding that best meet the selection criteria.

- Develop a loan, loan guarantee and grant program for renewable energy systems and energy efficiency improvements, evaluate proposals using a USDA-DOE interdepartmental review team and award funds to selected proposals. Work with USDA conservation programs, such as the Environmental Quality Incentives Program to ensure the full range of USDA resources are working in combination to facilitate the development of new energy systems on farms and ranches.
- Issue a request for proposals jointly with DOE for the Biomass Research and Development Initiative. Use an interdepartmental review team to assess proposals with USDA and DOE each selecting final proposals to be awarded grants consistent with each Department's priorities.
- Develop accounting rules and guidelines for carbon sequestration and greenhouse gas offset activities. The Natural Resources Conservation Service (NRCS) will have the lead for agricultural guidelines and the Forest Service (FS) will have the lead for forest guidelines. The USDA Global Change Working Group will provide resource support. Comments from the public will be utilized in development of the guidelines.
- Develop and publish regulations governing the operation of, and incentive formulas for, the continuation of the Bioenergy Energy Program provided for in Section 9010 of FSRFA. The Farm Services Agency (FSA) will prepare and publish necessary regulations and manage the program. The FSA also will provide incentive payments, consistent with provisions of the statute, to producers of ethanol and biodiesel on qualifying production of these biofuels.

### **Key External Factors**

The success of these programs depends on the coordination and cooperation of USDA agencies; the cooperation and coordination of other Federal agencies such as the DOE, the cooperation of private manufacturers and vendors; private sector ethanol and biodiesel producers; potential grant and loan recipients such as farmers, ranchers, small rural businesses, academic research institutions and other private sector and public sector entities requesting funding under one or another of the USDA programs promoting the development of bioenergy, biobased products and other renewable energy; and appropriated funds to meet the objectives.

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

Exhibit 10: Resources Dedicated to Provide Risk Management and Financial Tools to Farmers and Ranchers

USDA Resources Dedicated to Objective 1.4	FY 2003		FY 2004	
	Estimate	Percent of Goal 1	Estimate	Percent of Goal 1
Program Level (\$ Mil)	33,888	80%	30,778	82%
Staff Years	18,658	69%	15,777	66%

In FY 2003 and 2004, USDA will continue to establish and implement the framework for farm and commodity programs in the 2002 FSRIA. The 2002 FSRIA provides America's farmers and ranchers with a variety of risk management and financial tools, including crop insurance, direct and counter-cyclical payments and farm operating and ownership loans to promote stability in the agricultural sector. Additionally, USDA continues its efforts to streamline and modernize its program delivery structure that will result in more effective and efficient service for our customers. USDA will continue to offer advanced research and education tools and services to help producers better manage their risks.

### Provide Risk Management Tools to Farmers and Ranchers

The increase in the number of insurance plans indicates the variety of risk management tools available for use by producers to manage their risk. These increases are a reflection of USDA's efforts to implement new pilot programs and new insurance plans and to expand the availability of existing programs to producers. USDA continuously assesses producers' needs and private risk management tools to ensure that new and innovative risk management alternatives are available. The increase in insurance liability and participation indicate producers' acceptance of the risk management tools. Each of these measures indicates that producers accept the usefulness of USDA products as an effective means to manage agricultural risks.

USDA agricultural forecasts are for lower planted acres in FY 2004 and crop insurance liabilities are based, to a large extent, in agricultural commodity prices and planted acres. The coverage level is expected to stay the same or increase, but the dollar amount will decrease according to the forecasts.

Exhibit 11: Expand Use of Risk Management Tools

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
1.4.1 Expand USDA risk management tools available for agricultural producers to use in managing production and price risks:						
• Increase crop insurance coverage as measured by potential liabilities covered by crop insurance (\$ Bil)	30.9	34.5	36.7	37.3	40.6	40.1
• Increase crop insurance participation as measured by planted acres having crop insurance coverage (Percentage)	72.5%	76.5%	78.5%	81.1%	81.1%	81.1%
• Increase the number of commodities eligible for crop insurance	328	343	343	358	366	374

## Means and Strategies

Planned actions for achieving this performance goal and related objective include the following:

- Make available to farmers an actuarially sound risk management program.
- Provide timely and accurate market intelligence information that enables producers and policy makers to make well-informed decisions.
- Increase available coverage of risk management programs to current and additional products, including livestock, underserved producers, area, regions, commodities and risks.
- Evaluate effectiveness of education and outreach processes and implement changes to processes to achieve and monitor concrete results and benefits to producers and the program in improving producers' knowledge and use of risk management tools.

## Key External Factors

The demand for risk management tools, the local and the national economies, bad weather, sharp fluctuations in farm prices, interest rates and unemployment impact the ability of farmers, other rural residents, communities and businesses to qualify for credit and manage their debts. Another key external factor that impacts the availability and participation by agricultural producers in crop insurance is the extent of marketing by the private insurance companies.

## Provide Credit to Agricultural Producers

Farmers and ranchers, who are temporarily unable to obtain sufficient credit elsewhere, may obtain credit assistance through USDA to finance their actual needs at reasonable rates and terms. Some are beginning farmers or socially disadvantaged farmers who have suffered financial setbacks from natural disasters, or who have limited resources with which to establish and maintain profitable farming operations. Thus, the farm loan program provides support to family farmers and ranchers who would otherwise be unable to contribute to the farm sector.

To help ensure the effectiveness of these programs, it is important to provide timely financial resources and other assistance to borrowers when a need arises. Therefore, we plan to continue to reduce processing times for loan requests each year. Additionally, we will continue to closely monitor 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.

Exhibit 12: Improve Loan Processing Efficiency and Fiscal Soundness of the Direct Loan Portfolio

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
1.4.2 Improve customer service by increasing the efficiency of loan processing:						
• Reduce the average direct loan processing time (Days)	N/A	46	44	42	40	38
• Reduce the average guaranteed loan processing time (Days)	N/A	20	17	16	15	15
1.4.3 Improve fiscal soundness of the direct loan portfolio:						
• Maintain the direct loan delinquency rate at or below 15% (Percentage)	14.2%	12.4%	11.3%	10.4%	15%	15%

Exhibit 12: Improve Loan Processing Efficiency and Fiscal Soundness of the Direct Loan Portfolio

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
<ul style="list-style-type: none"> <li>Maintain the direct loan loss rate at or below 5% (Percentage)</li> </ul>	3.5%	4.2%	3.3%	7.3%	5%	5%

**Means and Strategies**

Planned actions for achieving these performance goals and related objective include the following:

- Continue to encourage the use of the Preferred Lender Program to improve the timeliness of guaranteed loan processing.
- Market effectively the electronic filing capabilities to our customers to increase usage, thereby increasing the efficiency of the loan programs.
- Focus additional resources on providing technical assistance and supervised credit to borrowers.
- Continue the comprehensive streamlining project for the direct farm loan program regulations, handbooks and information collections.
- Focus outreach efforts on increasing the amount of lending to beginning and socially disadvantaged farmers and ranchers. The financial and technical assistance provided will aid eligible farmers and ranchers in traditionally underserved groups to establish and maintain profitable farming operations.
- Review all rejected loan applications filed by socially disadvantaged farmers to ensure the decision was valid.
- Monitor closely loan processing timeliness for socially disadvantaged farmer applications compared to those of other farmers. If a greater than 10 percent discrepancy arises in any State, an analysis will be performed to determine the cause.
- Consolidate information technology operations to improve efficiency and reduce costs.

**Key External Factors**

A significant external factor that could impact accomplishment of our goals is a drop in net farm income relative to the mid-1990's. This factor will increase demand for farm loan programs, as well as reduce borrower repayment ability, increase delinquency and losses in both the direct and guarantee programs and reduce the ability of direct borrowers to obtain guaranteed credit. A drop in net farm income will also dramatically increase the workload of our Service Centers, hindering our ability to provide needed assistance to producers in a timely manner.

**Provide Income Support to Agricultural Producers**

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 and are not tied to the production of specific crops and counter-cyclical income support payments based on market prices in relation to target prices. Further, marketing assistance loans are provided through short-term financing on eligible crop production, which facilitates orderly commodity distribution and through loan deficiency payments (LDP) to farmers eligible for marketing assistance loans but who forgo loans in exchange for payments. Marketing assistance loans and LDPs assist producers in obtaining a minimum effective price for eligible commodities – wheat, corn, grain sorghum, barley, oats, soybeans, minor oilseeds, upland cotton, peanuts, wool, mohair, pulse crops and rice.

In FY 2003 and 2004, USDA anticipates that marketing assistance loan and LDP activity will remain near FY 2002 levels.

**Exhibit 13: Provide Income Assistance**

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
1.4.4 Eligible commodity production placed under marketing assistance loan or loan deficiency payment (Percentage):						
<ul style="list-style-type: none"> <li>Wheat, corn, grain sorghum, barley, oats, soybeans, minor oilseeds, peanuts, wool, mohair, pulse crops and rice</li> </ul>	80%	91%	76%	82%	82%	85%
<ul style="list-style-type: none"> <li>Upland cotton</li> </ul>	98%	97%	99%	97%	97%	98%

**Means and Strategies**

Planned actions for achieving this performance goal and related objective include the following:

- Provide adequate infrastructure, including capable and well-trained staff; up to date information technology, such as the continued implementation of the Geographic Information System technology at USDA Service Centers, communication systems and physical facilities to ensure timely and accurate delivery of services to customers.
- Utilize formal outreach initiatives to achieve greater county-to-county and State-to-State consistency, focusing on small, limited resources and minority producers.
- Educate producers about program benefits using all available resources, including public meetings, the Internet, newspapers and radio.
- Conduct national field office training on income support programs for employees to ensure our customers receive timely accurate assistance.

**Key External Factors**

Actual market prices for eligible commodities that are significantly different than the forecasted price levels used in establishing the performance targets for marketing assistance loans and LDPs could result in participation levels that are considerably different than projected.

**Improve Electronic Delivery of Information and Services**

Producers receive farm loans, commodity loans, direct payments and emergency assistance and participate in conservation programs to help ensure their economic viability. These programs are primarily targeted at agricultural producers, or in the case of farm loan programs, at those with farming experience. These programs help farmers and ranchers produce an adequate food supply, maintain viable operations, compete for export sales of commodities in the world marketplace and contribute to the year-round availability of a variety of low-cost, safe and nutritious foods.

To meet the needs of our customers more effectively, we are improving access to services and program information and increasing the efficiency, integrity and ease of use of the number of farm commodity and farm loan program that can be accessed, completed and accepted electronically.

Exhibit 14: Expand Customer Access to Services

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
1.4.5 Increase farm commodity and loan programs that can be accessed, completed and accepted electronically (Percentage)	N/A	N/A	N/A	63%	68%	73%

**Means and Strategies**

Planned actions for achieving this performance goal and related objective include the following:

- Continue migration to an operating environment where a greater proportion of information exchange and transaction processing occurs through off-site alternatives. Key components of this effort include:
  - Provide farm program information, availability and eligibility requirements electronically;
  - Provide on-line information collection and transaction processing capability; and
  - Develop information collection and management partnerships with State and local agricultural entities and private organizations to integrate information collection and sharing mechanisms among all service providers.

**Key External Factors**

A significant factor that could impact accomplishment of the established performance target is the ability to provide electronic authentication and signatures for multiple party transactions. Other factors affecting performance are legislatively driven short-term programs that may temporarily rise and then lower indicator percentages from fiscal year to fiscal year when a new program is implemented and then retired.