

A Report by a Panel of the
NATIONAL ACADEMY OF PUBLIC ADMINISTRATION
for the U.S. Department of Agriculture



*Advancing U.S. Agricultural Trade:
Reorganizing the U.S. Department of Agriculture*



October 2015

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***Advancing U.S. Agricultural Trade:
Reorganizing the U.S. Department of Agriculture***

PANEL

Susan Offutt* *Chair*
Rafael Borrás*
Lawrence Cooley*
I.M. (Mac) Destler*
Bob Nash*



** Academy Fellow*

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Robert J. Shea, *Chair of the Board*
Nancy R. Kingsbury, *Vice Chair*
Dan G. Blair, *President and Chief Executive Officer*
B. J. Reed, *Secretary*
Sallyanne Harper, *Treasurer*

Study Team

Joseph P. Mitchell, III, *Director of Project Development*
Roger Kodat, *Project Director*
Maria Rapuano, *Deputy Project Director*
Jonathan Tucker, *Senior Research Analyst*
Joe Tasker, *Senior Advisor*
Eric Christensen, *Research Associate*

The views expressed in this report are those of the Panel. They do not necessarily reflect the views of the Academy as an institution.

National Academy of Public Administration
1600 K Street, N.W.
Suite 400
Washington, DC 20006
www.napawash.org

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Foreword

In recent years, American agricultural exports have reached record levels and the number of agricultural trading partners has expanded. Agricultural trade has not only become more important, but tariff and non-tariff trade issues have also become more complex and frequent. Periodically over the years, the U.S. Department of Agriculture (USDA) has undergone reorganizations to respond to changes in the agricultural sector, with the most recent major reorganization occurring in 1994.

The Agricultural Act of 2014 directed USDA to submit a proposal on how to reorganize itself to create a new Under Secretary who should focus on trade and enhance multiagency departmental coordination in addressing trade issues. In the Fiscal Year 2015 appropriation, Congress mandated the National Academy of Public Administration (the Academy) to deliver a report to USDA that includes an assessment of options to be considered for the creation of an Under Secretary for Trade and Foreign Agricultural Affairs.

The Academy formed a Panel of five Fellows supported by a professional study team to conduct this study. The resulting report is intended to inform Congress and USDA about options for moving forward. This report is the result of seven months of extensive independent research, including more than 140 interviews with USDA officials, a wide variety of external stakeholders, congressional staff, and several former USDA Secretaries and other department officials.

The Panel's report includes a recommendation on how to reorganize the department to create an Under Secretary with a focus on trade and offers guidance on how USDA might also improve multiagency coordination in order to optimally address current and future challenges in this important sphere. The Panel's recommendations also address how regulatory and other non-trade related USDA agencies should be included in the reorganization.

As a congressionally chartered non-partisan and non-profit organization with over 800 distinguished Fellows, the Academy brings nationally-recognized public administration experts together to help public organizations address future challenges. We are pleased to have had the opportunity to assist the USDA by conducting this study, and we appreciate the constructive engagement of the department's personnel and other stakeholders who provided important insight and context needed to inform this report. Also, I extend my earnest thanks to the Academy Panel, who provided invaluable expertise and thoughtful analysis to this undertaking, and to the professional study team that provided critical support throughout the project.

Dan G. Blair
President and C.E.O.

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Acronyms and Abbreviations

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
CBP	Customs and Border Protection
CRS	Congressional Research Service
DR	Departmental Regulation
ERS	Economic Research Service
EU	European Union
FAS	Foreign Agricultural Service
FFAS	Farm and Foreign Agricultural Services
FGIS	Federal Grain Inspection Service
FS	Food Safety
FSA	Farm Service Agency
FSIS	Food Safety and Inspection Service
FSRM	Farm Services and Risk Management
FTA	Free Trade Agreement
GAO	Government Accountability Office
GIPSA	Grain Inspection, Packers & Stockyards Administration
GMO	Genetically Modified Organism
ICCIA	Intra-Departmental Coordinating Committee on International Affairs
ISO	International Standards Organization
MRP	Marketing and Regulatory Programs
NTB	Non-Tariff Barrier
OCE	Office of the Chief Economist
OECD	Organization for Economic Cooperation and Development
OIE	Office International des Epizooties (also known as the World Organization for Animal Health)
P&SP	Packers and Stockyards Program
SPS	Sanitary and Phytosanitary
TBT	Technical Barrier to Trade
TMD	Trade and Market Development
TPP	Trans-Pacific Partnership
TTIP	Trans-Atlantic Trade and Investment Partnership
UNCTAD	United Nations Conference on Trade and Development
U/S	Under Secretary
USAEDC	United States Agricultural Export Development Council
USDA	United States Department of Agriculture
USTR	United States Trade Representative
WTO	World Trade Organization

Executive Summary

The responsibilities of the United States Department of Agriculture (USDA) have grown and evolved over time in response to changes in the agricultural sector. To respond to these changes, USDA has undergone periodic reorganizations. Its most recent major reorganization occurred in 1994.

Since then, agricultural trade has undergone a transformation posing both challenges and opportunities for the American agricultural sector. Exports have become much more important, while the trade environment has become increasingly complex due to a number of factors, including: more countries involved in trade negotiations; more negotiations and agreements with the shift from global and multilateral to regional and bilateral approaches; and growth in non-tariff barriers as importing countries seek to protect their domestic markets as tariff barriers decline. A related development is the shift in the composition of United States agricultural exports toward products where sanitary and phytosanitary (SPS) issues are more prevalent.

Citing these changes, several agricultural industry groups advocated for a restructuring of the USDA to enhance the department's leadership and coordination on trade issues. Partly in response to this advocacy, Congress mandated that the Secretary of Agriculture develop a plan to create a new Under Secretary (U/S) position focused on trade issues—and interagency coordination on SPS issues in particular—and to restructure the department's trade-related functions. Subsequent legislation directed USDA to contract with the National Academy of Public Administration to assist in developing this plan by identifying and evaluating options for restructuring and providing guidance on implementation.

To undertake this study the Academy convened an expert Panel of Academy Fellows with a broad range of relevant skills to guide the work of a professional study team. After careful consideration of external and some internal stakeholder views and the current state of agricultural trade, the Panel concludes that the changing nature of agricultural trade provides a compelling rationale for a reorganization of USDA's trade-related functions and the creation of a U/S for trade. The Panel finds that USDA's organizational structure has become obsolete and a U/S position focused on trade issues, by design, will help enable consistent high-level focus and enhanced interagency coordination on trade issues.

However, the Panel strongly opposes the industry's preferred reorganization option of moving health and safety regulatory agencies, in whole or in part, to the U/S for trade and places a priority on maintaining the independence of these agencies for a variety of reasons. Most importantly, putting these critical functions under the authority of trade promotion would threaten the protection of human, animal, and plant health. It would also violate principles of public administration and organizational design, and undermine the trust of importing countries in the quality and safety of United States agricultural products.

The Panel reviewed three possible options in addition to the status quo for restructuring USDA's trade-related functions and creating a new U/S position focused on trade. The Panel recommends that the new trade-focused U/S portfolio include the Foreign Agricultural Service; all the components of the Agricultural Marketing Service that support trade through market development, including quality standards and product differentiation, in their entirety; and the Federal Grain Inspection Service. This portfolio offers important synergies supporting trade promotion efforts in the future inasmuch as quality standards and product differentiation will be increasingly used to create trade barriers, as well as to facilitate trade. The Panel recommends a different title for the new U/S than that specified in the legislation to more accurately reflect the responsibilities of the position: "U/S for Trade and Market Development."

The Panel's recommended option also creates a new U/S portfolio that includes the Animal and Plant Health Inspection Service (APHIS) and the Food Safety Inspection Service (FSIS). The Panel believes that moving APHIS and FSIS into the same U/S portfolio offers a number of important benefits. It simplifies and streamlines coordination on SPS issues to the extent possible by reducing from three to two the number of U/Ss that must coordinate on SPS. At the same time, it broadens the definition of public health, strengthens the U.S.'s reputation for science-based regulation, and enhances mission-critical synergies between the two agencies.

The Panel's overall aim is to enable a consistent, high-level focus and efficient interagency coordination on trade issues, while preserving the independence of health and safety regulatory processes and minimizing disruption to other domestic programs and activities. While the structural changes in the recommended option are important steps toward achieving this aim, the Panel believes that success also depends on the following: (1) ensuring a clear division of responsibilities between USDA and USTR; (2) defining the responsibilities of the new U/S positions; (3) defining the qualifications for the new U/S positions; (4) enhancing and institutionalizing non-structural mechanisms for interagency coordination on SPS and other non-tariff barriers; and (5) employing sound change management practice. In addition, we suggest Congress consider specifying in legislation the authority of the Secretary to undertake the recommended restructuring. The Panel makes high-level recommendations in each of these areas.

The Panel recommends that the reorganization be implemented after the next President takes office, but emphasizes the need to begin planning for the reorganization now to help ensure a smooth and timely implementation early in the next administration. In addition, the Panel recommends formalizing important interagency coordination mechanisms before the transition to minimize disruption from the change in leadership.

Panel Recommendations

1. **Recommendation:** USDA should restructure to create three new U/S portfolios.

- *Trade and Market Development* includes the Foreign Agricultural Service; all the components of the Agricultural Marketing Service that support trade through market development, including quality standards and product differentiation, in their entirety; and the Federal Grain Inspection Service.
- *Health and Safety* includes the Food Safety Inspection Service and the Animal and Plant Health Inspection Service.
- *Farm Services and Risk Management* includes the Farm Services Agency (FSA) and the Risk Management Agency, as well as the Packers and Stockyards Program and the purely domestic components of the Agricultural Marketing Service, both of which would be incorporated within the FSA.

To help ensure that this restructuring is successfully implemented, the Panel also makes the following recommendations.

2. **Recommendation:** In the event that the creation of a U/S for trade leads to significant conflict with the USTR, the Secretary of Agriculture should consider taking action to formalize the division of responsibilities between USDA and USTR. This might take the form of a Memorandum of Understanding.

3. **Recommendation:** A statement of responsibilities for the new U/S for Trade and Market Development should emphasize ensuring the integrity of the product quality and differentiation function that supports market development. In addition to oversight of direct reports, it should include: (1) a broader responsibility for leading strategic planning and budgeting in support of intradepartmental coordination on trade issues, in particular SPS issues and other non-tariff barriers; and (2) a near-term responsibility for managing the implementation of restructuring.

4. **Recommendation:** Responsibilities of the new U/S for Health and Safety should include responsibility for enabling appropriate coordination between FSIS and APHIS and between these regulatory agencies and the functions under the new U/S for trade and market development.

5. **Recommendation:** Qualifications for the new U/S for trade should include:

- Senior-level experience in developing and implementing U.S. international agricultural trade policy and programs
- Understanding of issues that affect agricultural trade, especially non-tariff barriers, such as sanitary and phytosanitary (SPS) measures
- Demonstrated skill in facilitation and brokering among agencies and external stakeholders with different perspectives and interests
- Proven track record in leading change and long-term strategic planning

6. **Recommendation:** Qualifications for the new U/S for Health and Safety should include:
 - Specialized training or significant experience in food safety or public health programs
 - Familiarity with animal and plant health issues and the linkages between animal and plant health and food safety issues
 - Demonstrated skill in facilitation and brokering among agencies and external stakeholders with different perspectives and interests
 - Proven track record in leading change and long-term strategic planning
7. **Recommendation:** The Secretary of Agriculture should work with subcabinet officials to develop clear policies to enable trade promotion priorities while not compromising the integrity of regulatory standards and processes. This policy should clearly define how decisions about prioritization and trade-offs should be made and the processes and criteria governing how agencies should work together under different situations.
8. **Recommendation:** USDA should take steps as soon as possible to formalize existing coordination mechanisms to help mitigate the disruption from leadership turnover during the coming transition in administrations, as well as to enable more efficient and flexible coordination in the future. Steps should include:
 - Identifying key coordination processes that are not formalized
 - Establishing charters for coordinating bodies that specify such things as the purpose of the body, who should participate, the rules governing decision making and dispute resolution, and frequency of meetings
 - In the case of operational and communication processes, establishing written protocols
9. **Recommendation:** USDA should identify key interagency linkages and customer service channels that may be disrupted by restructuring and provide for preserving or re-establishing them under the new structure.
10. **Recommendation:** USDA should undertake a systematic review of the interagency processes involved in responding to SPS issues and other non-tariff barriers to identify opportunities to improve and enhance coordination, increase transparency where appropriate, and enable greater control over priority setting.
11. **Recommendation:** USDA should examine opportunities for the strategic use of interagency personnel details and incorporate details into career development to help build relationships of mutual understanding and trust that facilitate coordination.

12. **Recommendation:** The Secretary of Agriculture should act to strengthen coordination by modifying the Intra-departmental Coordinating Committee on International Activities in two ways: (1) elevating participation to include subcabinet officials as well as agency administrators; and (2) establishing the new trade-focused U/S as chair.
13. **Recommendation:** The charter of a modified ICCIA should explicitly provide for supporting an interagency strategic planning and budgeting process focused on identifying and building capabilities—people, processes, and tools—across agencies needed to effectively pursue trade priorities.
14. **Recommendation:** In its next strategic plan, USDA should clearly address goals for enhancing interagency coordination on SPS issues and other non-tariff barriers and outline actions to be taken. Individual agency strategic plans linked to the USDA strategic plan and the linkages between individual agency efforts should be clearly articulated.
15. **Recommendation:** Congress should consider postponing implementation of the restructuring until after the next president takes office. However, Congress should direct USDA to begin planning for the reorganization now to enable a smooth and timely reorganization effort during the early months of the next administration.
16. **Recommendation:** Congress should require USDA to begin developing a funding strategy as part of its planning for implementing the reorganization.
17. **Recommendation:** USDA should develop an integrated strategy for communicating implementation plans to agency personnel, industry clients, external funding and oversight bodies, and other external stakeholders. Special attention should be given to communicating the rationale and implementation plans for the new health and safety portfolio and trade portfolio. Proactive outreach to affected stakeholder groups will be essential to address concerns and help build support for portfolio changes.
18. **Recommendation:** To provide clarity, Congress should consider specifying the authority of the Secretary to undertake the recommended restructuring by adding to the list of exceptions in section 296(b) the authority to reorganize the international trade functions of the department or the authority to establish a U/S for trade.

Chapter 1: Introduction

Over its long history, the United States Department of Agriculture (USDA) has taken on a wide range of responsibilities. These responsibilities have grown and evolved as the nature and size of farming and agricultural markets have changed over time. USDA's current responsibilities address issues involving farm services, animal and plant health, food safety, economic and market analysis, natural resources, nutrition, rural development, marketing, standards-setting, and trade, among others. USDA has undergone reorganizations to respond to changes in the agricultural sector, with the most recent major reorganization occurring in 1994.¹

Since this last major reorganization of USDA, the importance of exports to the agriculture sector has greatly increased. Agricultural exports as a share of total U.S. agricultural production by value rose from 15.4 percent in 1995 to 21.6 percent in 2013,² an increase of 40.3 percent. Agricultural exports have become increasingly important to farm income with reductions in price support and government purchase programs. Agricultural exports as a share of total gross farm income has risen from 20 percent in 1994 to 29 percent in 2013,³ an increase of 45 percent.

While exports have grown to be more important to the agriculture sector, the trade environment facing exporters has become increasingly complex due to a number of factors, including: more countries involved in trade negotiations; more negotiations and agreements with the shift from global and multilateral to regional and bilateral approaches; and growth in non-tariff barriers as importing countries seek to protect their domestic markets as tariff barriers decline. A related development is the shift in the composition of U.S. agricultural exports toward products where sanitary and phytosanitary (SPS) issues are more prevalent.

These changes in the agricultural trade environment provide the context for a congressionally mandated plan for restructuring USDA, which the National Academy of Public Administration (the Academy) was asked to assist in developing.

1.1 Origin of the Study

The Agricultural Act of 2014 (the "Act")⁴ directed that the "Secretary [of Agriculture] propose a reorganization of international trade functions for imports and exports of the Department of Agriculture."⁵ In addition, the Act states that the Secretary shall "include a

¹ See the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Public Law 103-354, 108 Stat. 3178 (1994).

² USDA, Economic Research Service; USDA, Foreign Agricultural Service; U.S. Census Bureau.

³ USDA, ERS, Outlook for U.S. Agricultural Trade, AES-84, December 2, 2014, cited in Schnepf, Randy, *Congressional Research Service: U.S. Farm Income Outlook 2015*. (February 18, 2015), p. 21.

<https://www.fas.org/sgp/crs/misc/R40152.pdf>.

⁴ Public Law 113-79 (2014).

⁵ P.L. 113-79, §3208(b)(1).

plan for the establishment of an Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs.”⁶ As part of this proposal, the statutory provision directs that the Under Secretary (U/S) “would serve as a multiagency coordinator of sanitary and phytosanitary issues and other non-tariff barriers in agriculture with respect to imports and exports of agricultural products.”⁷ The Secretary has not yet provided a proposal to Congress.

In the Explanatory Statement accompanying the Consolidated and Further Continuing Appropriations Act of 2015, approved by the House of Representatives on December 11, 2014 and by the Senate on December 13, 2014,⁸ Congress mandated that the Academy deliver a report to USDA that includes an assessment of options to be considered for the creation of a U/S for Trade and Foreign Agricultural Affairs⁹ and a reorganization of trade-related functions.¹⁰

USDA contracted with the Academy in March 2015 to prepare the report during a seven-month timeframe. The contract specified that the Academy’s report should:

1. Evaluate issues that the reorganization is intended to address.
2. Identify the most feasible options for how USDA could structure and organize the office of the U/S for trade and, by necessity, any other departmental reorganization connected thereto.
3. Identify the issues and challenges of creating such a position under the most feasible options.
4. Identify the issues and challenges of creating and implementing the new position.
5. Issue high-level recommendations for how this organization could be established within USDA.

We stress that the congressional mandate to the Academy to prepare this report does not include the question of whether the USDA *should, or should not*, create this new U/S position. Rather, the Academy is tasked by both Congress and USDA with offering a reorganization recommendation to create this position.¹¹

⁶ Ibid at §3208(b)(2)(A).

⁷ Ibid at §3208(b)(2)(B).

⁸ See Explanatory Statement . . . Regarding the Consolidated and Further Continuing Appropriations Act of 2015, Congressional Record online at page H9308 (December 11, 2014). <http://thomas.loc.gov/cgi-bin/query/C?r113:./temp/~r113UJDgYA>.

⁹ Please note that this report also refers to the U/S for Trade and Foreign Agricultural Affairs as the “U/S for trade.”

¹⁰ Ibid. “The Office of the Chief Economist (OCE) [will] oversee the completion of this report in coordination with a third-party entity, the National Academy of Public Administration, and the [Congressional] Committees.”

¹¹ It should be noted that there were a number of interviewees, both inside of and outside of USDA, who do not favor creating the new position of U/S for trade.

The findings and recommendations of this report should inform implementation of a future reorganization of USDA. Next steps on implementation are a matter for USDA and Congress to deliberate.

1.2 Approach and Methodology

To undertake this study the Academy convened an expert Panel of five Academy Fellows with a broad range of relevant skills, including federal executive leadership and academic experience, as well as knowledge and experience in USDA, agricultural trade, and organizational transformations. The Panel provided ongoing guidance and counsel to a five-member study team. (See Appendix A for biographical information on Panel and study team members.)

The study team approached its research in a multifaceted manner. The team conducted extensive research and analysis of USDA documents and information, including budget and staffing data, and public documents about USDA and agricultural trade from a wide variety of sources, such as USDA; the Government Accountability Office (GAO); external stakeholders; the media; and international bodies, such as the World Trade Organization (WTO). The study team interviewed 145 individuals, including USDA and other federal agency officials; the Chief Agricultural Trade Negotiator at USTR;¹² congressional committee and member staff; and external stakeholders, including representatives of the agricultural industry and consumer rights and food safety organizations.¹³ The study team also interviewed four former Secretaries of Agriculture and a number of former senior USDA officials. The study team convened four discussion groups: one with representatives of the agricultural industry who are proponents of the new U/S for trade position; one with representatives of organizations advocating for consumer rights and food safety; and two with USDA senior leaders. The study team received input from more than 40 different U.S. Cooperator Market Development Program Participants (“cooperators”)¹⁴ at a national meeting of the U.S. Agricultural Export Development Council (USAEDC), individual and group interviews with cooperators, and a survey conducted by USAEDC of cooperators. Finally, the study team conducted literature reviews in a number of topics relevant to this project, including organizational transformation; reorganization of large, complex entities in both the private and public sector; organizational restructuring with particular focus on federal agencies that include both regulatory and operational/promotional agencies; multiagency cooperation in a complex organization; and impacts of reorganization on agency performance.

¹² The Office of the United States Trade Representative (USTR) is part of the Executive Office of the President of the United States. The USTR is the nation’s lead trade negotiator and coordinates U.S. trade policy, including agricultural trade policy, throughout the federal government. Legislation in 2000 created a Chief Agricultural Negotiator position at USTR with ambassadorial rank. See generally <https://ustr.gov/>.

¹³ Appendix B includes a list of those interviewed during the course of this project. Interviews and discussion groups were off the record and not for attribution.

¹⁴ Under the Foreign Market Development Program, FAS partners with Cooperators (non-profit commodity or trade associations that represent U.S. agricultural producers and processors) to promote U.S. commodities overseas.

This project was divided into three phases with the following key components:

Phase I – Current State and Problem Identification

1. Learn how trade and foreign agricultural affairs operates at USDA/USTR.
2. Distill various stakeholder arguments for creating a U/S for trade.
3. Understand USDA authorities to implement reorganization.

Phase II – Options Development

1. Evaluate the relationship between the current USDA organization and identified problems.
2. Formulate decision-making criteria for reorganization options development.
3. Devise various possible reorganization options.
4. Identify key challenges and trade-offs for each reorganization option.

Phase III – Evaluation of Reorganization Options

1. Secure feedback from USDA and stakeholders to reorganization options against criteria.
2. Determine an optimal reorganization scheme for Panel recommendation.

1.3 Report Scope and Structure

This report recommends an option for restructuring USDA at a subcabinet level. This option would create a U/S position focused on trade that the Panel would entitle the “U/S for Trade and Market Development.” Just as important, this option would provide for agencies, programs, and activities displaced by the creation of the new trade portfolio and the elimination of existing U/S portfolios.

The Panel’s report does not advocate for, nor presume that there will be, a change in the roles and responsibilities currently delineated between USDA and USTR. In addition, the Panel does not make reorganization recommendations at the agency level unless there is a compelling reason to do so that is connected with the Academy’s mandate to reorganize trade-related functions.

This report is divided into five chapters:

- Chapter 1 (the current chapter) provides a high level overview of agricultural trade and describes the origin, scope, and approach of the report.
- Chapter 2 describes the current character of agricultural trade and outlines how USDA is organized currently to address trade and foreign agricultural affairs.
- Chapter 3 discusses different views on the need to restructure USDA’s trade-related functions and establish a U/S for trade, and presents the Panel’s rationale for recommending that USDA move forward with the reorganization.
- Chapter 4 describes the Panel’s process for developing and evaluating reorganization options and recommends a new organizational structure.

- Chapter 5 offers high-level guidance on implementing the new organizational structure and mechanisms for improving coordination.

Chapter 2: USDA's Role in Agricultural Trade and Foreign Agricultural Affairs Today

2.1 The Changing Character of Agricultural Trade

Agricultural trade is undergoing a substantial transformation. The changes bring with them a wide range of both challenges and opportunities for the American agricultural sector, from farmer and processor to retailer. The sector relies on USDA to help it respond effectively.

The United States, the world's largest agricultural exporter and the world's third largest importer, plays a significant role in global agricultural trade. According to the World Trade Organization,¹⁵ in 2013 (latest available data) the U.S. was about \$1 billion ahead of the European Union (EU) as an agricultural exporter, with total exports valued at \$176 billion. Brazil, China, and Canada rounded out the top five exporters. As an importer, the U.S., with imports valued at \$146 billion, was behind only the EU and China, with Japan and Russia rounding out the top five.¹⁶

The mix of traded agricultural goods is changing significantly. Export trade in commodities is taking a smaller share of the total, while export trade in high value raw and processed products is steadily increasing. Commodities are defined in USDA trade statistics as "bulk" items including grains, oilseeds, cotton, and tobacco. Other traded products are what USDA calls "high value products," ranging from live animals, fresh fruits and vegetables, nuts and nursery products, to fats, hides, feeds, fibers, flour, meals, oils, and sugar, to meat, milk, grain products, processed fruits and vegetables, juice, wine, nonalcoholic beverages, essential oils, and products of tropical commodities. From the post-World War II years (i.e., 1948) until the early 1990s, an average of about 64 percent of annual U.S. exports were in corn, rice, wheat, soybeans, tobacco, and cotton: all "bulk" commodities under the USDA definition.¹⁷ By 1990, almost half (49.6 percent) of U.S. agricultural exports of \$39.4 billion were bulk/commodity items. The rest (50.4 percent) were of high value products.¹⁸ By

¹⁵ The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by most of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business. The main function of the WTO is to ensure that trade flows as smoothly, predictably, and freely as possible. Another principal feature of the WTO is its dispute resolution process, discussed later in this chapter. It also provides trade statistics and other services. It was founded by the United States and many other countries in 1995. Today it has 161 member countries. For more information on the WTO, see its extensive website: <https://www.wto.org/index.htm>.

¹⁶ WTO, *International Trade Statistics 2014* at Table II.14 "Leading exporters and importers of agricultural products, 2013" p. 67; https://www.wto.org/english/res_e/statis_e/its2014_e/its2014_e.pdf.

¹⁷ USDA, National Agricultural Statistics Service, *Agriculture Statistics* annual publications at http://www.nass.usda.gov/Publications/Ag_Statistics/index.asp.

¹⁸ "Value of U.S. agricultural exports by level of processing for bulk and high-value products, by calendar year" [http://www.ers.usda.gov/data-products/foreign-agricultural-trade-of-the-united-states-\(fatus\)/calendar-year.aspx](http://www.ers.usda.gov/data-products/foreign-agricultural-trade-of-the-united-states-(fatus)/calendar-year.aspx).

2014, total exports had risen more than 380 percent to almost \$150.5 billion and were almost two-thirds “high value products” and one-third commodities.¹⁹ Thus, there are more marketing opportunities around the world and more consumer markets with their own dynamics for marketers to analyze.

On the import side, U.S. agricultural imports today are more than 95 percent high value or processed products, rather than bulk commodities.²⁰ Imports have been mostly high value products since at least the 1980s.²¹ Total annual imports, however, have risen more than 487 percent since 1990, to more than \$111 billion in calendar year 2014.²² All agricultural products, before they can be imported into the U.S., must have been inspected by U.S. officials, even if processed in a facility in the country of origin that has been demonstrated to meet animal, plant, and human health and safety standards set for U.S. processing facilities as certified by American on-site inspectors. The dramatic rise in imports means a greatly increasing need for import inspections and certifications by USDA.

Against this background, we outline six additional key changes in agricultural trade:

2.1.1 Exports have become increasingly important to the agricultural sector.

As already noted in Chapter 1, agricultural exports as a share of total U.S. agricultural production by value have increased by 40.3 percent between 1994 and 2013. Also, agricultural exports have become increasingly important to farm income with reductions in price supports and government purchase programs: exports increased as a share of total gross farm income by 45 percent between 1994 and 2013. This highlights the increased importance of trade to everyone involved in agriculture, from the farmer to the food processor, since the last major reorganization of USDA.

2.1.2 A growing global population with increasing income to spend on more food and, by implication, higher quality nutrition, is an important factor driving growth in international agricultural trade.

Consumer markets are growing all over the world as a middle class expands within more countries, demanding more, better quality food, and different kinds of food (more protein and processed foods).²³ China has become the number one destination for American

¹⁹ USDA, National Agricultural Statistics Service, *Agriculture Statistics* annual publications at http://www.nass.usda.gov/Publications/Ag_Statistics/index.asp.

²⁰ Data for calendar year 2014 from USDA, Economic Research Service, collation of U.S. Census import data. “Bulk” commodities and “High Value Products” are defined consistent with the definitions set out in the text at footnotes 17 and 18, above. See [www.ers.usda.gov/data-products/foreign-agricultural-trade-of-the-united-states-\(fatus\)/calendar-year.aspx](http://www.ers.usda.gov/data-products/foreign-agricultural-trade-of-the-united-states-(fatus)/calendar-year.aspx).

²¹ Ibid.

²² Ibid.

²³ USDA, Economic Research Service (ERS). “Developing Countries Dominate World Demand for Agricultural Products”: <http://www.ers.usda.gov/amber-waves/2013-august/developing-countries-dominate-world-demand-for-agricultural-products.aspx#.VdOPZbJVhHw>.

agricultural exports.²⁴ According to the White House, at least 95 percent of the world's consumers live outside the U.S.²⁵ and, as the following quote from USDA on the impact of a rising global middle class on agricultural trade indicates, many are ready to purchase American agricultural products:

According to USDA's baseline projections, developing countries will account for much of the increase in projected growth in global consumption of meats and crops in 2013-22. The developing-country shares of the projected growth include 81 percent for meat, 83 percent for grains and oilseeds, and 95 percent for cotton. Furthermore, developing countries' demand for agricultural products is expected to increase faster than their production. As a result, these countries will account for 92 percent of the total increase in world meat imports, 92 percent of the increase in total grains and oilseeds imports, and nearly all of the increase in world cotton imports.

Factors behind the rapid increase in developing countries' demand are high rates of population and income growth, accompanied by increased urbanization and an expanding middle class.²⁶

2.1.3 Government food aid to other countries continues to play a role in agricultural trade, although that role is changing.

U.S. government food aid to developing countries historically consisted largely of the disposition of excess agricultural commodities that the United States purchased from farmers to maintain domestic prices under a variety of price support programs (e.g., Title I of Public Law 480),²⁷ which could have inadvertent market distorting effects.²⁸ As a result, U.S. food aid has significantly shifted away from surplus commodity distribution²⁹ to programs designed to "build capacity" in developing countries for economic growth and development. This is accomplished through such programs as the McGovern-Dole

²⁴ USDA, Economic Research Service (ERS). "Top 15 U.S. agricultural export destinations, by calendar year, value \$U.S." www.ers.usda.gov/data-products/.

²⁵ "Obama Administration Record on Promoting U.S. Jobs by Increasing Trade and Exports" https://www.whitehouse.gov/sites/default/files/docs/trade_and_exports_record.pdf.

²⁶ USDA, ERS. "Developing Countries": <http://www.ers.usda.gov/amber-waves/2013-august/developing-countries-dominate-world-demand-for-agricultural-products.aspx#.VdOPZbJVhHw>.

²⁷ P.L. 480, 68 Stat.454 (1954).

²⁸ According to one study, "[a]mong the most important consequences of food aid is the effect on food prices. The empirical evidence shows that food prices almost invariably fall in local markets immediately after a food aid distribution." This study goes on to ask the question: "Does food aid distort market prices, creating disincentives for agricultural production and market development, undermining local traders and eroding the resilience of local food systems?" The answer given is "maybe." It is a complex subject. See, e.g., "Economic Controversies Over Food Aid," a chapter in UN Food and Agriculture Organization (FAO), *State of Food and Agriculture 2006*; <ftp://ftp.fao.org/docrep/fao/009/a0800e/a0800e03.pdf>.

²⁹ Title I of P.L.480, the primary surplus commodity purchase provision, has been unfunded and inactive since FY 2006. See CRS, *U.S. International Food Aid Programs: Background and Issues* (April 2015) <https://www.fas.org/sgp/crs/misc/R41072.pdf>, p. 9.

International Food for Education and Child Nutrition³⁰ lunch programs and the Local and Regional Food Aid Procurement Program.³¹

2.1.4 Tariffs and non-tariff barriers in international agriculture trade have changed significantly since the WTO Agriculture Agreement went into effect in 1995.

WTO agreements and other successful trade negotiations over the last 20 years or so have led to the replacement of quotas and other non-tariff restrictions on agricultural imports with tariffs and commitments by member countries to reduce and, if possible, phase out a variety of domestic and export trade distorting subsidies, as well as refrain, if possible, from imposing new subsidies. The intention is to further reduce remaining tariffs in future WTO negotiations. At the same time, as trade has expanded to encompass new destinations, so have a variety of non-tariff technical barriers to trade expanded around the world.

Customs tariffs—taxes assessed on the import of a particular shipment of goods—raise revenues for the importing country and may be an important source of government income. Tariffs become trade barriers when they are high enough either to discourage importation altogether, or to reduce the market for imported goods by making them unreasonably expensive or uncompetitive with domestic alternatives. On the other hand, WTO negotiators in the WTO’s Agriculture Agreement³² adopted the view that tariffs, even those considered to be high, were preferable to the restrictive quotas and other measures in place in many countries. Such measures included “quantitative import restrictions, variable import levies, minimum import prices, discretionary import licensing procedures, voluntary export restraint agreements, and non-tariff measures maintained through state-trading enterprises.”³³ Such restrictions can amount to absolute bans on some imports. Tariffs, in contrast, can create high walls that impede trade, but market entry is at least possible by paying the tariff. Today, work continues on tariff elimination at the WTO. Meanwhile, the WTO Agreement has resulted in reductions of the restrictions described above, while at the same time requiring that most trade-distorting domestic and export agricultural subsidies be phased out, and new ones be avoided if at all possible. Commitments under the WTO agreement by member states, including the United States, have been extensive.³⁴

³⁰ This was first authorized by the 2002 farm bill, Pub. Law 107-171, §3107. Under this program, implementing partners in developing countries use U.S. commodities and financial and technical assistance to carry out school feeding programs and maternal, infant, and child nutrition programs in developing countries identified as having critical food needs. See Congressional Research Service, *U.S. International Food Aid Programs: Background and Issues* (April 1, 2015); <https://www.fas.org/sgp/crs/misc/R41072.pdf>.

³¹ These are cash grants to qualifying organizations in the developing country to purchase eligible commodities from markets close to the target population in response to food crises and disasters.

³² WTO Agreement on Agriculture:

https://www.wto.org/english/docs_e/legal_e/14-ag_01_e.htm.

³³ WTO; Agriculture; Market Access; Explanation.

https://www.wto.org/english/tratop_e/agric_e/ag_intro02_access_e.htm.

³⁴ There are always exceptions, such as the United States sugar and milk marketing order programs.

At the same time, as agricultural trade expands to new destinations, other forms of technical barriers to trade (TBTs) and non-tariff barriers (NTBs) are becoming more common.³⁵ Today, the most common form of NTBs in agricultural trade are known as “Sanitary and Phytosanitary Restrictions” (SPS restrictions) on imported commodities or agricultural goods. A “sanitary” restriction refers to a restriction related to animal health, while a “phytosanitary” restriction refers to a restriction related to plant health.

SPS “measures” are not always SPS “barriers” or restrictions. The USTR underscores the distinctions between measures and barriers in a recent report:

[SPS measures are] measures that governments apply on the grounds that such measures are necessary to protect human, animal, or plant life or health from risks arising from the entry or spread of plant-or animal-borne pests or diseases, or from additives, contaminants, toxins, or disease-causing organisms in food, beverages, or feedstuffs. . . . The United States strongly supports the right of governments through robust regulatory frameworks to protect their people, animals and plants from health risks of this kind. [But many] SPS measures . . . appear to be unscientific, unduly burdensome, discriminatory, or otherwise unwarranted and create significant barriers to U.S. exports.³⁶

SPS measures are a widespread and growing feature of international agricultural trade.³⁷ The members of the WTO entered into an SPS Agreement committing members to act reasonably in imposing measures, as part of the original establishment of the organization in 1995.³⁸ Every year, more and more WTO member countries get actively involved in the

³⁵ According to the Organization for Economic Cooperation and Development (OECD), non-tariff barriers refer to “all barriers to trade that are not tariffs.” (OECD Glossary of Statistical Terms: <https://stats.oecd.org/glossary/detail.asp?ID=1837>). Examples of NTBs include quantitative restrictions like import quotas and embargoes, import licenses, and exchange controls. See Congressional Research Service (CRS) Report to Congress, “Agriculture: A glossary of Terms, Programs, and Laws, 2005 Edition,” CRS-p. 184; http://digital.library.unt.edu/ark:/67531/metacrs7246/m1/1/high_res_d/97-905_2005Jun16.pdf. “Technical” NTBs involve some kind of scientific or technical testing. See CRS-256, above, for a definition of TBTs.

³⁶ USTR, “2013 Report on Sanitary and Phytosanitary Measures,” Executive Summary, p. 1; <https://ustr.gov/sites/default/files/2013%20SPS.pdf>.

³⁷ A recent United Nations report asserts that virtually all agricultural trade is covered by one or more SPS measure: “SPS of some form regulate almost all international trade in agricultural products.” See UNCTAD, “Key Statistics and Trends in Trade Policy” (2013) p. 21. http://unctad.org/en/PublicationsLibrary/ditctab20132_en.pdf

³⁸ WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement); https://www.wto.org/english/tratop_e/sps_e/spsagr_e.htm. The Agreement sets out the basic rules for food safety and animal and plant health standards. It allows countries to set their own standards. But it also says regulations must be based on science. They should be applied only to the extent necessary to protect human, animal or plant life or health. And they should not arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail. Member countries are encouraged to use international standards, guidelines and recommendations where they exist. However, members may use measures which result in higher standards if there is scientific justification. They can also set higher standards based on

WTO SPS Agreement and “notify” other member countries of SPS measures under the agreement’s terms.³⁹ According to the WTO, as of this year, 117 of the 157 WTO member countries (counting the EU as one) have notified SPS measures.⁴⁰ This is another indication of the increasing complexity of agricultural trade. Of course, not all of these “notifications” represent objectionable barriers, but all of them are subject to review and consideration.⁴¹

The USTR report cited above identified “unwarranted” SPS barriers facing U.S. exporters in 48 countries (again, counting the 26-member European Union as one country) in 2013, including both developing countries such as Chile, Colombia, Egypt, Malaysia, and South Africa, as well as developed countries such as Switzerland, Japan, and the EU.⁴² Unwarranted SPS barriers can take days, months, or even years (in some cases many years) to resolve.⁴³ They can be difficult and time-consuming to deal with, in part because it is necessary to address the technical and scientific basis of the restriction first, before challenging them as unreasonable restraints of trade. If the science does not support the contention, or the science represents what seems more like an unreasonable trade restriction, then there may not be much to analyze. However, that is not always the case and there may be a need for the exporting country to conduct studies to prove that the agricultural product meets accepted safety standards, which can take considerable time. If it becomes clear that there will not be a scientific solution to the issue, then trade policymakers become involved to find a diplomatic solution. Sometimes it takes a WTO dispute settlement process—citing the SPS Agreement—to resolve the measures; and those processes, by necessity, can take at least more than one year.

Unwarranted SPS barriers are not the only NTBs that have to be addressed in the field of international agricultural trade. Others include voluntary quality and product differentiation standards. These standards help producers distinguish their products from competitors’ and help them appeal to a target market. Product quality and differentiation standards are growing in importance in the marketplace. These include so-called animal welfare or consumer preference provisions such as a claim for “cage-free eggs” or one for “free range chickens” or one for “organic produce.” All of these have generally accepted definitions based on consumer expectations and claims that can be verified by inspection. The same is true for “GMO-free food” provisions.⁴⁴ U.S. animal and food safety officials do

appropriate assessment of risks so long as the approach is consistent, not arbitrary. The agreement still allows countries to use different standards and different methods of inspecting products.

³⁹ Governments are required under the SPS Agreement to notify other countries of any new or changed sanitary and phytosanitary requirements which affect trade, *Understanding the WTO SPS Agreement*; https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm.

⁴⁰ www.spsims.wto.org predefined reports; transparency table compiled August 18, 2015.

⁴¹ The FAS leads a weekly U.S. government meeting to review published foreign SPS-related notifications and coordinates the development and submission of U.S. comments (USDA, other U.S. agencies, U.S. stakeholders) regarding those notifications to help prevent trade barriers from being established.

⁴² *Ibid.*

⁴³ U.S. Government Accountability Office (GAO), *Agricultural Exports: U.S. Needs a More Integrated Approach to Address Sanitary/Phytosanitary Issues*. GAO/NSIAD-98-32. Washington, D.C.: December 1997.

⁴⁴ “GMO” is an acronym for “Genetically Modified Organism.” Some consumers view this as a preference while others consider it a health and safety issue, although the issues there are far from conclusively resolved, if at

not view these as “health or safety” issues, and yet, some consumers express preferences for them and marketers respond. Meanwhile, exporters and importers are expected to get certifications and inspections to back up their claims in the marketplace.⁴⁵

These standards can become barriers to trade because of the investment costs associated with complying and because they can be misused for protectionist purposes.⁴⁶ However, because they signal quality to consumers they can also facilitate marketing and trade.⁴⁷ In short, as is the case with SPS measures, not all technical non-tariff “barriers” are objectionable. As explained in the WTO Technical Barriers to Trade (TBT) Agreement:

[T]echnical regulations [should] not [be] prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to international trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfill a legitimate objective, taking account of the risks non-fulfillment would create. Such legitimate objectives are, *inter alia*: national security requirements; the prevention of deceptive practices; protection of human health or safety, animal or plant life or health, or the environment. In assessing such risks, relevant elements of consideration are, *inter alia*: available scientific and technical information, related processing technology or intended end-uses of products.⁴⁸

2.1.5 Trade negotiations have become increasingly complex.

International agricultural trade negotiations are complex and take place in many venues. There are several distinct types of negotiations, including formal bilateral, plurilateral, and multilateral trade negotiations,⁴⁹ sometimes but not always under WTO auspices. In addition, bilateral negotiations can take place whenever required to solve a problem posed by a particular trade barrier, such as an unwarranted SPS measure. As noted, these bilateral engagements can wind up at the WTO for a determination under the organization’s dispute settlement process alleging a breach of the WTO SPS or TBT Agreements.

Bilateral negotiations between the U.S. and another country to eliminate an agricultural tariff, quota, or NTB generally take place only in the context of Free Trade Agreement (FTA)

all. USDA prefers the term agricultural biotechnology and offers an extensive definition and discussion here: <http://www.usda.gov/wps/portal/usda/usdahome?navid=AGRICULTURE&contentid=BiotechnologyFAQs.xml>.

⁴⁵ There may be other NTB issues for agricultural trade to address in the near future.

⁴⁶ Maertens, Miet and Swinnen, Johan, *Agricultural Trade and Development: A Value Chain Perspective*, WTO Working Paper ERSD-2015-04, April 2015, p. 12.

⁴⁷ Hobbs, Jill E., “Public and Private Standards for Food Safety and Quality: International Trade Implications,” *The Estey Centre Journal of International Law and Trade Policy*, Vol. 11, No. 1, (2010) p. 142.

⁴⁸ WTO Technical Barriers to Trade Agreement, article 2.2: https://www.wto.org/english/docs_e/legal_e/17-tbt_e.htm.

⁴⁹ “The plurilateral agreements of the WTO contrast with the larger multilateral agreements in that the former are signed by only those member countries that choose to do so, while all members are party to the multilateral agreements.” <http://dictionarycentral.com/definition/plurilateral-agreement.html>.

negotiations covering a wide range of trade issues, including agricultural trade.⁵⁰ The U.S. has FTAs with 20 countries, including two group agreements,⁵¹ and is currently negotiating major FTAs with Pacific countries (the Trans-Pacific Partnership or TPP⁵²) and the EU (the Trans-Atlantic Trade and Investment Partnership or TTIP⁵³). These and other FTA negotiations will always include efforts to make bilateral or plurilateral improvements by removing agricultural trade barriers, whether tariffs, NTBs, or unwarranted SPS measures or other TBTs.

While bilateral negotiations to reduce agricultural trade barriers may not take place outside the FTA context, bilateral engagement to solve a problem posed by an SPS (or other TBT) measure is the commonly accepted way to search for a solution. The negotiations tend to be complicated and can take up considerable time, beginning with scientific and technical personnel seeking a consensus on the technical issue and possibly having to enter into formal rulemaking proceedings as part of the process. Trade experts often join in as the technical work progresses, seeking a resolution to a single SPS problem that has stopped shipments of US exports to another country or, in some cases, stopped shipment of another country's exports into the United States.⁵⁴ These matters can take days, weeks, months, or even years to resolve.⁵⁵

Bilateral engagement does not always lead to a successful resolution of the problem. In such cases, the U.S. (and every other WTO member country) has the option to make a claim under the WTO SPS Agreement and invoke the WTO Dispute Settlement Process.⁵⁶ The process is laid out in the WTO charter. The first step is for one country to the dispute to seek "consultations" with the other. If possible, these consultations (face-to-face meetings of trade negotiators and technical experts trying to find a solution) may provide the additional support to solve a problem that was not resolved before. If not, the failure of consultations is noted and documented and the complainant country may ask for a WTO

⁵⁰ For more information about FTAs see "Free Trade Agreements" on the website of the U.S. Department of Commerce International Trade Administration: <http://www.trade.gov/fta/>.

⁵¹ CAFTA-DR, the Central America-Dominican Republic Free Trade Agreement is the first free trade agreement between the United States and a group of smaller developing economies. The agreement includes seven signatories: the United States, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. The other group agreement is the North American Free Trade Agreement (NAFTA) with Canada and Mexico.

⁵² The TPP has 12 negotiating member countries including Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

⁵³ All of the 26 member states of the European Union, and the United States, are included in the TTIP, although it could be argued that this is a bilateral negotiation between two customs unions, the EU and the U.S.

⁵⁴ According to a 2014 Congressional Research Service (CRS) report, there were eleven outstanding WTO complaints on SPS matters involving the United States as complainant and seven involving the United States as the respondent. See CRS, *Sanitary and Phytosanitary (SPS) and Related Non-Tariff Barriers to Agricultural Trade* (2014) <https://www.nationalaglawcenter.org/wp-content/uploads/assets/crs/R43450.pdf>, p. 29-32.

⁵⁵ U.S. Government Accountability Office (GAO), *Agricultural Exports: U.S. Needs a More Integrated Approach to Address Sanitary/Phytosanitary Issues*. GAO/NSIAD-98-32. Washington, D.C.: December 1997.

⁵⁶ For background and a complete description of the WTO dispute settlement process, see the WTO website at https://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm.

panel of experts to resolve the dispute. This is a formal process with presentation of evidence, briefs, and arguments by representatives of the countries involved appearing before a panel of three or five trade experts from different countries.⁵⁷ The panel meets with representatives of the parties, takes evidence, hears arguments, and reviews legal briefs before it issues a decision. The process, including the 60-day consultation period, but without time for an appeal, takes about a year. An appeal by the losing party adds three months to the process.⁵⁸ The country found at fault has the option of conforming to the decision or appealing it. If an appellate panel decision upholds the original panel ruling, the country found at fault still has a choice: conforming to the decision or accepting retaliation from the other country in an amount not to exceed the value of the discrimination the other country has suffered. Not every dispute can be resolved, but this process with its transparent procedures and enforcement mechanisms provides a useful way to solve many trade problems.

2.1.6 International standards-setting bodies and their processes form an important part of today's agricultural trade landscape.

The WTO SPS Agreement recognizes three standards-setting bodies to work on SPS matters: the Codex Alimentarius⁵⁹ for food safety (Codex); the OIE, or World Organization for Animal Health⁶⁰ for animal health and zoonoses; and the International Plant Protection Convention (IPPC),⁶¹ for plant health. The standards are voluntary and are intended to provide guidance for governments in formulating their own national SPS measures and help avoid and resolve disputes over appropriate SPS measures. The United States participates actively in all three organizations through the USDA and the Food and Drug Administration (FDA), an agency of the Department of Health and Human Services.

In addition to these SPS standard-setting bodies there are many other kinds of standards organizations operating in the field of agriculture and agricultural trade, such as the International Standards Organization (ISO), the Organization for Economic Cooperation and Development (OECD), the UN Specialized Section on Standardization of Meat, and others. The United States has to participate in, if not lead, all of these standards bodies, to protect and enhance its position in international trade. This adds significantly to the complexity of the agricultural trade landscape.

⁵⁷ The WTO Secretariat maintains an “indicative list” of available experts nominated by member countries. The parties to the dispute are consulted about who should be on the panel and may agree on its membership. If not, the Director General of the WTO will choose the panel. The panelists serve in their individual capacities and cannot take instructions from any government about how they should decide the matter.

⁵⁸ The process is explained in detail on the WTO website. See https://www.wto.org/english/thewto_e/whatis_e/tif_e/disp1_e.htm.

⁵⁹ <http://www.codexalimentarius.org/>.

⁶⁰ <http://www.oie.int/>. “OIE” is the French language acronym for the organization. “Zoonoses” or “zoonotic diseases” are diseases that under natural conditions are communicable from animals to humans. Tuberculosis and rabies are examples. Recently, the USDA and global health officials have had to deal with the effect on humans of bovine spongiform encephalopathy (BSE) or “mad cow disease.”

⁶¹ <https://www.ippc.int/en/>.

The resulting standards require provision of more sophisticated marketing services. As noted in the Administration's 2013 budget documents, many of these services are provided to facilitate sales through credible certification of product quality attributes and:

continue to become more complex as the volume of agricultural commodities increases, as greater numbers of new processed commodities are developed and as the agricultural market structure undergoes extensive changes. Marketing changes include increased concentration in food retailing, direct buying, decentralization of processing, growth of interregional competition, vertical integration and contract farming.⁶²

2.2 USDA's Role in International Agricultural Trade

Today, USDA is organized around seven Under Secretaries, each of whom has a portfolio of one or more agencies (18 agencies in total). It also has three Assistant Secretaries (for Congressional Relations, Administration, and Civil Rights), and a number of other senior staff officers, including a Chief Economist, a Director of National Appeals, an Inspector General, a General Counsel, a Chief Financial Officer, and an Office of Budget and Program Analysis.⁶³

One of the seven Under Secretaries, the Under Secretary for Farm and Foreign Agriculture Services (FFAS), plays the lead role on agricultural trade matters, including interagency coordination.⁶⁴ Three other U/Ss play substantial supporting roles. The four U/Ss with the most involvement in trade and the six trade-related agencies and one office they oversee are as follows:⁶⁵

- U/S for Farm and Foreign Agriculture Service (FFAS):
 - Foreign Agricultural Service (FAS)
- U/S for Food Safety (FS):
 - Food Safety Inspection Service (FSIS), which includes
 - the Codex Alimentarius Office (U.S. CODEX)
- U/S for Research, Education and Economics (REE):
 - Economic Research Service (ERS)
- U/S for Marketing and Regulatory Programs (MRP):
 - Agricultural Marketing Service (AMS)
 - Animal and Plant Health Inspection Service (APHIS)

⁶² Appendix to The Budget of the U.S. Government for Fiscal Year 2013, USDA, p. 93.

<https://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/appendix.pdf>.

⁶³ An organization chart is found in Appendix C to this report.

⁶⁴ For information on USDA Departmental Regulation 1051-001 please see Appendix D of this report.

⁶⁵ Other agencies in other Under Secretary portfolios also have international programs, but are not as directly linked to international trade. An example is the Forest Service.

- Grain Inspection, Packers & Stockyards Administration (GIPSA)

Only one of these, the Foreign Agricultural Service, has a mission focused principally on international agricultural trade. The rest play important supporting roles in agricultural trade development, facilitation, or regulation. The remainder of this chapter provides summary information on key USDA agencies involved in trade.

2.2.1 Foreign Agricultural Service (FAS)⁶⁶

FAS describes its core mission as facilitating trade and international cooperation, “which are critical to the economic vitality of the U.S. agricultural sector.” It serves as the principal coordinator for international activities within USDA and draws on the expertise of a wide range of agricultural organizations, including governmental groups and a range of private sector organizations, from farm groups and business groups to the academic and research community. FAS representatives preside at the quarterly meetings held within USDA to manage international matters. FAS functions are carried out at offices in Washington and in 95 overseas field offices in 75 foreign countries. It engages in capacity building and technical assistance programs in developing countries and facilitates USDA food aid programs. It carries out foreign trade missions for U.S. agricultural interests and facilitates participation in foreign trade fairs around the world. FAS also operates a market intelligence network across world markets and manages market development programs, export credit guarantee risk insurance programs, foreign market research, and scientific exchange programs. FAS is also involved in import trade, acting as administrator of the allocation of the import quotas involving the dairy and sugar programs. FAS works with USTR on trade negotiation matters, including SPS and other NTB matters, and represents the USDA on the interagency trade policy groups on the Trade Policy Staff Committee at the staff level and on the Trade Policy Review Group at the subcabinet level, both of which are chaired by the Office of USTR.⁶⁷ A more detailed look at some of the work of FAS is set forth in the table on coordinating mechanisms in Appendix D to this report.

2.2.2 Food Safety and Inspection Service (FSIS)

FSIS describes itself as “the public health agency in the U.S. Department of Agriculture responsible for ensuring that the nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and correctly labeled and packaged.”⁶⁸ FSIS engages in food safety inspection activities at more than 6,000 packing plants and other establishments across the United States.⁶⁹ In addition to inspections, FSIS operates a number of specialized

⁶⁶ The following discussion summarizes and draws from the USDA Foreign Agriculture Service Strategic Plan FY 2012-2016: http://www.fas.usda.gov/sites/development/files/fas_stratplan_2012-2016.pdf.

⁶⁷ <https://ustr.gov/about-us/executive-branch-agencies-trade-policy-staff-committee-and-trade-policy-review-group>.

⁶⁸ <http://www.fsis.usda.gov/wps/portal/informational/aboutfsis>.

⁶⁹ This statement and the following information is derived from USDA sources, principally the “Agency Mission Book,” a review of FSIS activities on its website at

offices. These include (1) an Office of Public Health Science that collaborates on investigations of foodborne illness outbreaks and develops the scientific basis for food safety policies; (2) an Office of Investigation, Enforcement and Audit to ensure correct application of the FSIS standards in place and also respond to foodborne illness outbreaks; (3) an Office of Data Integration and Food Protection; and (4) offices of Consumer Education and Outreach and Management.

FSIS also plays important roles in regulating international agricultural trade. On the import side, countries are not eligible to be the source of imports of meat, eggs, and poultry until FSIS has conducted an “equivalence” determination of the country’s processing facilities. FSIS also can be deeply involved in the development of SPS policy and the investigation of SPS complaints. The determination process is conducted by the Office of Investigation, Enforcement and Audit. Staff is sent to the facilities in the country in question to conduct onsite inspections as well as analysis. They may work with FAS staff on the ground in the country. Only if the foreign facilities are found to be “equivalent” to U.S. standards is importation allowed. Even after the facility has passed an equivalence determination, all meat, poultry, and processed egg products imported into the United States from that plant must be presented for inspection by FSIS for food safety reasons, as well as proper packaging and labeling, in the United States at an official import establishment before the goods are cleared for entry into the U.S. market.

With respect to exports, FSIS makes available lists of U.S. facilities eligible to export meat, poultry, and egg products to listed countries. The lists also provide information related to local standards for packaging, labeling, and other issues. FSIS also provides relevant certificates to accompany export shipments. Some countries allow imports from the United States processed in any facility authorized by FSIS. In that case, the exporter can apply to FSIS for a certificate that the facility is covered by FSIS inspections and standards. In other cases, countries require pre-certification of a specific U.S. establishment before accepting imports from that establishment. In such cases, the U.S. exporter will have to obtain an Establishment Application for Export from FSIS. The FSIS inspectors are also able to perform “export re-inspections” if required by the importing country.

FSIS will only certify for compliance with human health and safety standards. If an importing country requires some other certification (“organic” for example), another agency of USDA—most often the Agricultural Marketing Service—provides the certificate after appropriate process verification.

2.2.3 U.S. Codex Office (FSIS)

There are more than 180 member countries involved in the Codex Alimentarius Commission (Codex), a food safety standards-setting body headquartered in Geneva,⁷⁰ and

<http://www.fsis.usda.gov/wps/wcm/connect/7a35776b-4717-43b5-b0ce-aeec64489fbd/mission-book.pdf?MOD=AJPERES>.

⁷⁰ <http://www.codexalimentarius.org/>.

one of the three standards bodies identified in the WTO Agreement on the Application of SPS Measures.⁷¹ The U.S. office is located in USDA, within FSIS, but identifies itself as an “interagency partnership.”⁷² Codex is a major undertaking, with 11 subject matter committees that develop standards, codes of practice, or guidelines that apply to all agricultural commodities and foods. There is a committee for each of the following subjects: Food Additives, Contaminants in Foods, Food Hygiene, Food Import & Export Certification & Inspection Systems, Food Labeling, General Principles, Methods of Analysis & Sampling, Nutrition & Foods for Special Dietary Uses, Pesticide Residues, and Residues of Veterinary Drugs in Foods.⁷³ There are also commodity committees for all of the different food and agriculture products (e.g., cereals and legumes, cocoa products, fats and oils, meat etc.—twelve in all), task forces, and regional coordinating committees. Country delegations manage each committee; the U.S. manages several. The U.S. delegation includes representatives from various USDA agencies, including FSIS, APHIS, and FAS, as well as other federal agencies, such as the Food and Drug Administration and USTR. The deliberations include public meetings for receiving public comment on proposed standards announced in notices in the *Federal Register*.

2.2.4 Animal and Plant Health Inspection Service (APHIS)

According to its website, APHIS identifies itself as “a multi-faceted Agency with a broad mission area” within USDA.⁷⁴ APHIS has six operational divisions:⁷⁵

- **Animal Care.** Determines and promotes standards of humane care and treatment of animals through inspections and educational efforts.
- **Biotechnology Regulatory Services.** Protects agricultural and natural resources by ensuring safe development of genetically engineered organisms using a science-based regulatory framework.
- **Plant Protection and Quarantine (PPQ).** Safeguards agriculture and natural resources from risks associated with the entry, establishment, or spread of pests and noxious weeds.
- **Veterinary Services.** Protects and improves the health, quality, and marketability of our nation's animals, animal products, and veterinary biologics by preventing, controlling, and/or eliminating animal diseases, and monitoring, and promoting animal health and productivity.

⁷¹ WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement); https://www.wto.org/english/tratop_e/sps_e/spsagr_e.htm.

⁷² This discussion is based on USDA sources, primarily the U.S. Codex websites on the FSIS website; see <http://www.fsis.usda.gov/wps/portal/phis/topics/international-affairs/us-codex-alimentarius>.

⁷³ http://www.fsis.usda.gov/wps/portal/phis/topics/international-affairs/us-codex-alimentarius/committees-and-task-forces/general-subject-committees/ct_index

⁷⁴ <http://www.aphis.usda.gov/wps/portal/banner/aboutaphis>.

⁷⁵ http://www.aphis.usda.gov/wps/portal/banner/aboutaphis!/ut/p/a1/04_Sj9CPykssy0xPLMnMz0vMAfGjzOK9_D2MDJ0MjDzdgy1dDTz9wtx8LXzMjb2dzIAKloEKDHAARwNCsP1o_Aq8TKHKsBjRUFuhEGmo6liAGnYppE!/?1dmy&urile=wcm%3apath%3a%2FAPHIS_Content_Library%2FSA_About_APHIS%2FSA_APHIS_Organiza tion%2F.

- **Wildlife Services.** Works to reduce conflicts between wildlife and agriculture (e.g., protecting livestock from predators); wildlife and aviation (stopping birds from causing damage to airport take offs and landings); and a variety of other, similar situations.
- **International Services and Trade Support Team.** Provides international animal and plant health expertise to safeguard American agricultural health and promote U.S. agricultural trade.

APHIS identifies a variety of trade and related international activities:

- APHIS endeavors to keep U.S. agricultural industries free from pests and diseases and certifies that U.S. agricultural and food products shipped to markets abroad meet the importing countries' entry requirements. APHIS is also responsible for efforts to make sure that all imported agricultural products shipped to the United States from abroad meet the Agency's entry requirements to exclude pests and diseases of agriculture.
- APHIS has offices in the U.S. embassies and consulates in 49 foreign cities to facilitate existing trade between the two economies. The area offices maintain technical working relationships with respective country counterparts to resolve SPS issues. The offices also maintain direct contact with industry trade groups and importers and exporters and work on resolution of trade-related issues at country ports of entry.
- APHIS also has a role in making sure that the U.S. and its trading partners adhere to the SPS rules set forth by the WTO, as well as the other relevant international standards-setting organizations.

2.2.5 Agricultural Marketing Service (AMS)

AMS provides a variety of market-related services. Many of these facilitate sales through credible certification of product quality attributes. As noted in the last section, such marketing services:

continue to become more complex as the volume of agricultural commodities increases, as greater numbers of new processed commodities are developed and as the agricultural market structure undergoes extensive changes. Marketing changes include increased concentration in food retailing, direct buying, decentralization of processing, growth of interregional competition, vertical integration and contract farming.⁷⁶

⁷⁶ Appendix to The Budget of the U.S. Government for Fiscal Year 2013, USDA, p. 93.
<https://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/appendix.pdf>.

These services include the “Market News Service” and various inspection, grading, and standardization services (for example, FSIS inspects the meat, but AMS “grades” its quality). There are also services designed to protect the market and promote growth, such as the Pesticide Data program (information on pesticide residues in foods); and federal seed inspection programs. AMS also manages the National Organic Program to certify products against voluntary standards and the farmers’ market program to promote local farmers markets across the country. Much of AMS’s work (e.g., the grading inspectors) is fee-based.⁷⁷

AMS plays a number of roles in the international marketplace:⁷⁸

- It operates voluntary certification and verification programs funded by user fees to support American exporters who need to “certify” that they have met an importing country’s standards when those standards are not considered health and safety standards by APHIS or FSIS. In other cases, exports choose to have certain processes verified and certified to appeal to a target market. The AMS Dairy Program has helped to open trade doors to China and its Livestock, Poultry and Seed Program has facilitated expanded exports of shell eggs.
- The Market News Service now covers international markets as well as the U.S. market. Market News staff engage with foreign counterparts to help build capacity to produce local market news reports that assist American exporters.
- On the import side, AMS operates a Fruit and Vegetable Program that administers Marketing Orders and import regulations applying quality standards to certain perishable fruits and vegetables entering the United States. These standards are intended to ensure that consumers have access to high quality products as well as providing a “level playing field” for the domestic produce industry and import competition.
- The National Organic Program has an international dimension as well. AMS has established trade agreements with the world’s four largest organic markets—Canada, EU, Japan, and South Korea. These agreements create open markets for extensive organic sales and reduce trade barriers for U.S. organic exporters.
- AMS also participates in a number of international standards organizations, including ISO, the OECD, and the UN Special Section on Standardization in Meat, representing U.S. interests to facilitate increased trade. Work in these organizations helps establish sets of global product terminologies: a common language that facilitates trade by providing unified descriptions for what is being bought and sold.

⁷⁷ See generally, the AMS website at <http://www.ams.usda.gov/>.

⁷⁸ This discussion is based on information supplied to the Academy study team by AMS officials at interviews.

- AMS experts also support domestic and international trade by providing reports and economic analyses for truck, rail, barge, and ocean transportation of agricultural goods.

2.2.6 Grain Inspection Packers and Stockyards Administration (GIPSA)

GIPSA includes two agencies with different missions: The Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS). The P&SP administers the Packers and Stockyards Act of 1921,⁷⁹ an unfair competition law specifically for livestock, meat, and poultry markets. The P&SP seeks to ensure fair trade practices and competitive markets for livestock, meat, and poultry, including “fostering fair and open competition and guarding against deceptive and fraudulent practices which affect the movement and price of meat animals and resulting products.”⁸⁰ P&SP is an investigative unfair practices agency that is not involved in trade promotion of any kind.

The FGIS of GIPSA provides a uniform system for the inspection and weighing of grain. Services provided under this system are financed through a fee-supported revolving fund. Fee-supported programs include direct services, supervision activities, and administrative functions. Direct services include official grain inspection and weighing by FGIS employees at certain export ports as well as the inspection of U.S. grain shipped through Canada. FGIS⁸¹ provides farmers, handlers, processors, exporters, and international buyers with sampling, inspection, process verification, weighing, and stowage examination services that accurately and consistently describe the quality and quantity of the commodities being bought and sold.

FGIS facilitates marketing of U.S. grain and related agricultural products by establishing standards for quality assessments, regulating handling practices, and managing a network of federal, state, and private laboratories that provide impartial, official inspection and weighing services funded by user fees.

FGIS international services include:

- Resolving grain quality and weight discrepancies by working with international governments and grain industry representatives, as well testing for the presence of GMO’s in grain
- Helping other countries develop domestic grain and commodity standards and marketing infrastructures
- Training international inspectors in U.S. inspection methods and procedures
- Aiding importers in developing quality specifications
- Presenting grain marketing and grain grading seminars around the world

⁷⁹ 7 U.S.C. §§ 181-229.

⁸⁰ <http://nationalaglawcenter.org/overview/packers-and-stockyards/>.

⁸¹ <http://www.gipsa.usda.gov/fgis/fgis.aspx>.

- Conducting collaborative studies and surveys to collect market information
- Providing consulting services on technical issues

These activities are typically funded through various programs administered by USDA's FAS or Farm Service Agency, USDA Cooperators, GIPSA, or by the private sector on a cost recovery basis.

2.2.7 Other Agencies

The agencies listed above appear to have the greatest involvement in the management of trade issues. We note, however, that many other USDA agencies have some international programs. Virtually every agency except those reporting to the Under Secretary for Rural Development identifies on its website some international activities. The Agricultural Research Service (ARS) under the U/S for Research, Education, and Economics (REE), the USDA's chief scientific in-house research agency, has an Office of International Research programs and several foreign laboratory locations to work collaboratively with other countries. The Economic Research Service (ERS) also supports trade-related activities with a variety of international datasets. The Food and Nutrition Service now includes international topics and speakers at its conferences. Both the Forest Service and the Natural Resources Conservation Service (the two agencies reporting to the Under Secretary for Natural Resources and Environment) have partnership programs with foreign countries working on developing better soils for growing food, better environments for growing trees, and other foreign capacity-building initiatives.

Having reviewed USDA agencies and the international-trade-related work they do, the report now turns to a discussion of perceived problems with the current USDA organizational structure.

Chapter 3: The Case for a Reorganization Creating a Trade-Focused U/S

This chapter presents and evaluates the different viewpoints concerning the establishment of a new U/S position focused on trade and reorganizing USDA's trade-related functions. First, it presents the view of industry proponents on why USDA needs to be restructured. Second, it assesses the industry proponent view and considers alternative perspectives of other external stakeholders and USDA. Finally, it presents the Panel's rationale for the reorganization and creating a trade-related U/S.

3.1 Genesis of the Congressional Mandate to Develop a USDA Restructuring Plan

The legislation mandating USDA to develop a plan to create a new U/S focused on trade issues and to restructure trade-related functions was passed partly in response to the continued advocacy of industry groups. Leading groups included the U.S. Meat Export Federation, National Cattlemen's Beef Association, U.S. Cattlemen's Association, and National Pork Producers Council, joined by a large number of other industry groups that signed letters to Congress in 2012 and 2013 calling for the creation of the new U/S position and a broader restructuring of trade-related functions at USDA.⁸² Legislation enjoyed support in both the House and Senate and included some Democratic as well as Republican backers.⁸³

The letters to Congress call for the creation of a new U/S position and a reorganization of trade-related functions at USDA, but they do not address which agencies, programs, and activities might be affected. In 2012, an ad hoc group of industry representatives developed specific reorganization proposals that were discussed with USDA leadership. The study team interviewed members of this group to understand industry proponent preferences for reorganization. The preferred option of industry proponents is described in Chapter 4.

⁸² The first letter, sent in June 2012, was signed by twenty-five agricultural industry groups. The second letter, sent in May 2013, was signed by thirty-one industry groups. Copies of these letters are provided in Appendix E.

⁸³ Senator Michael Johanns (R-NE), a former USDA Secretary, first inserted language requiring USDA to study the effects of a potential reorganization on the department in 2012, as an amendment adopted by voice vote by the Agriculture Committee. However, Agriculture Committee Chairwoman Debbie Stabenow (D-MI) and Ranking Member Thad Cochran (R-MS) and Johanns agreed to strengthen the amendment's language. Senator Pat Roberts (R-KS) supported the language, saying that the new U/S would "oversee the multitude of international trading functions that are currently spread across several agencies within the department." See "USDA Faces Challenges in Creating New Trade Undersecretary Position," *Inside U.S. Trade*, May 2, 2014.

3.2 Industry Proponent Rationale for Creating a New Under Secretary for Trade

While not unanimous on all aspects of establishing a new U/S for trade, industry proponents generally agree that the creation of a U/S position focused on trade is needed to address two problems. The first is a lack of consistent high-level focus on trade issues at USDA. Industry proponents identify the lack of consistent high-level focus with two factors: (1) the focus of the current U/S for FFAS is divided between trade and domestic programs; and (2) candidates for the current U/S position generally are vetted for experience with domestic programs and often lack trade experience.

The second problem in the view of industry proponents is the difficulty of coordinating across various USDA agencies to address increasingly complex trade challenges, especially those related to SPS issues and other non-tariff barriers (NTBs). Proponents explain this difficulty as a result of two factors: (1) agencies with responsibilities and authorities related to addressing SPS issues and other NTBs are spread across multiple U/S portfolios; and (2) these agencies have different missions and priorities.

Industry proponents believe that both problems—the lack of consistent, high-level focus and the difficulty of interagency coordination on trade issues—can be substantially addressed through the creation of a U/S focused on trade. First, by separating trade and domestic programs into separate U/S portfolios, a U/S would be able to focus on trade issues. Furthermore, given a trade focused portfolio, candidates would be vetted based on trade expertise. Second, the position would help enhance the needed coordination by including agencies and components with key trade-related activities within its portfolio, specifically APHIS and the U.S. Codex Office, currently in FSIS. The general assumption of industry proponents is that direct authority of a U/S for trade is needed to achieve the needed coordination of these trade-related activities.

3.3 Alternative Stakeholder Perspectives and Analysis of Industry Proponent View

Many USDA officials and some industry stakeholders outside the group of proponents do not see the need for a new U/S position dedicated to trade. They take the view that sufficient leadership has been provided through a combination of the Secretary and staff, the current U/S position (U/S for FFAS), and the deputy U/S responsible for FAS. While some have acknowledged the lack of consistent high-level focus on trade issues over time, they do not believe a U/S position dedicated to trade will solve this problem. They emphasize that success ultimately depends on the individuals in these positions—how effectively they engage with other parts of the department, and the priority they place on quality communication and working together to address common issues. Industry proponents acknowledge this and note the exemplary leadership provided at different times through a combination of the Secretary and his staff, the U/S and deputy U/S responsible for FAS. However, they argue that a Senate-confirmed position, accountable

specifically for trade, will make the focus on trade less subject to changing personalities and interests, and thereby help ensure that trade is more consistently treated as a priority.

Other external stakeholders, including some industry stakeholders, and some USDA officials believe that the current structure has critical advantages overlooked by those advocating a U/S for trade. They note that the effectiveness of the current U/S position in supporting trade negotiations depends in part on a strong connection with domestic programs (i.e., Farm Services Agency and Risk Management Agency), which, while less central to negotiations than in the past, remain important. They also see trade benefiting from being part of the current Farm and Foreign Agricultural Services portfolio, pointing to the importance of this combined portfolio within the department, which is reflected in the fact that the U/S for Farm and Foreign Agricultural Services is the third-ranking USDA official after the Deputy Secretary.⁸⁴

USDA officials interviewed believe that interagency coordination is currently good and they emphasize the broad range of formal and informal interagency coordination mechanisms in place. (Appendix D provides information on current coordination mechanisms.) Still, they believe that it is important to institutionalize certain current coordination mechanisms in order to minimize disruption from turnover in leadership and the retirement of senior staff going forward.

Industry proponents provided few specific examples of coordination problems, and some of the examples provided were dated or illustrated that coordination was not the sole cause of industry frustration.⁸⁵ Moreover, some industry stakeholders, as well as USDA officials, reported significant improvement in coordination recently, especially between FAS and APHIS.

Some of the other factors besides interagency coordination that appear to contribute to industry frustrations related to the resolution of SPS issues are reviewed below.

- Different perspective on when a technical approach to resolving trade disputes is appropriate. Industry proponents emphasize that USDA has a tendency to take a technical approach to resolving SPS issues when in the proponents' view the dispute is politically driven and should be addressed through trade negotiations. A related frustration is that such cases are not consistently addressed at the right political level given the competing demands of domestic issues on the U/S for FFAS. In the absence of clear evidence of coordination failure or divided attention, the Panel is inclined to see this frustration, at least partly, as a result of legitimate differences of perspective. This difference of perspective is not new: it was identified as a

⁸⁴ By Executive Order 1361277, the Under Secretary for Farm and Foreign Agricultural Services is second in the line of succession to the Secretary and thus the third ranking official at USDA, after the Deputy Secretary.

⁸⁵ The study team actively engaged industry proponents through individual interviews and a group discussion. The study team also undertook follow-up interviews with a few industry proponents in part to elicit more detailed examples of interagency coordination problems.

significant source of friction almost twenty years ago in a major GAO report assessing interagency coordination on SPS issues.⁸⁶

- Lengthy and uncertain regulatory processes driven by statute. The implementation of trade deals and the resolution of trade disputes related to SPS issues are delayed by lengthy and uncertain regulatory processes. (See Chapter 2, subsection 2.1.5 for a more in-depth discussion of these processes.) Trade deals and disputes affecting U.S. exports often hinge on granting access to foreign imports into the U.S. market, which in turn hinges on the outcomes of a sequence of regulatory processes—namely APHIS risk assessments and FSIS equivalency audits. The timeliness of these processes depends not only on the assessments and audits themselves, but also on the time provided by statute for input by external stakeholders and the time that may be taken to resolve legal challenges to agency determinations. These processes severely limit opportunities to accelerate resolution of important issues.
- Different view of acceptable risk/legitimate bounds of compromise on regulatory issues. Industry sees regulatory agencies as unduly risk averse, and not open to compromise that might facilitate trade deals and dispute resolution, whereas regulatory agencies see themselves as taking a responsible risk management approach based on rigorous standards and independent professional judgment. It is not feasible for the Panel to assess this issue adequately within the scope of this study.
- Larger political considerations beyond the control of USDA delaying resolution of trade disputes. Some trade disputes noted as examples by industry proponents appear to be driven by the negotiation strategies of trading partners aiming to extract concessions from the U.S. on market access for imports, which may be either inappropriate or beyond the authority of USDA to address. In these cases, the speed of resolution appears to have little to do with interagency coordination or level of attention.
- Resource constraints across agencies. In a number of instances, reported challenges appeared to reflect resource constraints rather than coordination problems. Examples include a lack of funding for posting USDA officials with the appropriate expertise abroad and to enable travel by officials in foreign posts to address problems where in-person discussion is warranted.
- Inherent complexity of managing trade issues and/or lack of transparency by USDA. Industry proponents have noted the difficulty of identifying agency officials with the responsibility and authority to take action on trade issues. It is not clear to what extent this is a feature of poorly defined roles and responsibilities for trade issues across USDA, the inherent complexity of dealing with SPS issues, or USDA's need to

⁸⁶ U.S. Government Accountability Office (GAO), *Agricultural Exports: U.S. Needs a More Integrated Approach to Address Sanitary/Phytosanitary Issues*. GAO/NSIAD-98-32. Washington, D.C.: December 1997.

improve communication with its clients. USDA officials have noted efforts to improve interagency coordination over time, but have acknowledged that the department could do a better job of communicating these efforts to external stakeholders.

- Challenges specific to FAS. While internal issues of FAS have not been a focus of the Panel's research, interviewees have noted a number of challenges facing FAS that may bear on reported coordination challenges. These include: the loss of experienced senior people, either to retirement or more lucrative private sector opportunities; the reorganization of FAS in 2006, which led to changes in how customers must engage with FAS on trade issues; relatively frequent turnover in the agency administrator post; and changes in agency staffing and career paths.

3.4 Reorganization Is Needed to Help USDA Meet the Changing Demands of Agricultural Trade

After careful consideration of stakeholder views and the current state of agricultural trade, the Panel concludes that the changing nature of agricultural trade provides a compelling rationale for a reorganization of USDA's trade-related functions and the creation of a U/S for trade. The Panel finds that USDA's organizational structure has become obsolete and a U/S position focused on trade issues, by design, will help enable consistent high-level focus and enhanced interagency coordination on trade issues.

The Panel agrees with the industry proponent view that the trade and domestic components of the current FFAS portfolio should be separated because both require more attention and are less closely linked than in the past. Maintaining a strong connection with domestic programs such as the Farm Service Agency (FSA) and Risk Management Agency (RMA) remains important, but does not require that trade and domestic programs reside in the same U/S portfolio. Moreover, the Panel holds that whatever advantage may be conferred by the influence of the current U/S position within the department is outweighed by the benefits of a U/S position focused on trade.

While industry proponents provide limited evidence of a current interagency coordination problem, the Panel's broader research indicates opportunities for enhancing and institutionalizing coordination so that the current state of coordination that may be dependent on individuals is sustained and continues to improve into the future. The Panel considers ways to strengthen and institutionalize coordination both through restructuring (discussed in Chapter 4) and non-structural means (discussed in Chapter 5).

Chapter 4: Reorganization Options and Recommendation

The purposes of this chapter are to: (1) describe the approach to developing options for USDA reorganization; (2) describe the methodology used to evaluate options; and (3) present the Panel's recommended organizational structure.

4.1 Options Development

This chapter presents four reorganization options, including the status quo and the option advocated by many industry stakeholders. Initially, the Panel considered a fifth option that would have created an eighth U/S. However, as discussed in more detail later in this chapter, this option was not seriously considered after the first round of options evaluation.

With the exception of the status quo, all options presented in this chapter include a new U/S, which addresses the issue of providing consistent, high-level leadership and focus on trade. Our goals in developing reorganization options, therefore, were to identify structures that would position USDA to meet current and future agricultural trade challenges and take maximum advantage of opportunities to expand trade. Although the Panel did not find that coordination among USDA agencies on trade is a problem per se (as discussed in Chapter 3), there is still room for improvement and coordination will become increasingly important and difficult as agricultural trade grows and trade irritants become more numerous and complex. Therefore, in formulating options, we also considered ways that the organizational structure could strengthen and institutionalize coordination. These potential improvements were balanced against the likely effects of reorganization on domestic programs/operations and USDA more generally. Some major structural aspects of reorganization options considered include:

- Moving all or part of agencies with trade-related functions
- Relocating and regrouping agencies/components displaced by a restructuring of trade-related functions and the elimination of current U/S portfolios
- Creating an eighth U/S

The following three principles guided our approach to developing options:

1. Be mindful of the unintended consequences of splitting and moving agencies. On the surface, moving trade-related agencies or agency components to the new trade U/S portfolio may seem like a logical way to improve coordination on SPS and other NTBs. However, splitting and moving agencies can negatively affect mission integrity by disrupting existing mission-critical synergies and linkages. In particular, splitting the domestic and international components of agencies apart can cause new coordination problems and, in the case of technical/scientific agencies, cut individuals off from critical expertise. Splitting agencies may be further complicated if the same people and offices/divisions are carrying out both domestic and international functions. Therefore, the Panel took the approach of avoiding splitting

agencies except in cases where there was a compelling reason to do so. Moving agencies to new mission areas can also result in disruptions of informal coordination mechanisms and other unintended consequences. For example, grouping agencies with different areas of expertise and missions together in the same U/S portfolio could make the portfolio difficult to manage by one person and divide the focus of the U/S.

2. Do not assume the creation of a trade-focused U/S and reorganization will automatically solve all problems. Proponents of the new U/S position and reorganization identified a number of problems that will not be solved by a new organizational structure. While these issues are outside the scope of this study and the study team did not conduct research to validate them, the new U/S may need to focus some attention on addressing resources and issues specific to FAS, such as its organizational structure.
3. Non-structural mechanisms to enhance coordination might be needed. While grouping similar agencies together in the same mission area can improve coordination by reducing the need to cross institutional boundaries, more will need to be done to ensure that agencies coordinate with each other effectively. Informal and formal mechanisms will be needed to maximize and institutionalize coordination. These mechanisms will be discussed in further detail in Chapter 5.

In addition, the following four assumptions regarding the scope of feasible options guided options development:

1. The division of responsibilities between USDA and USTR does not change. Congressional staff clearly communicated to the study team that it was not their intent to alter the roles and responsibilities of USDA and USTR in any way; USTR would continue to have the lead role in trade negotiations and coordination across the federal government. The new U/S position and reorganization is intended to strengthen USDA's support of USTR and work in trade implementation.
2. USDA has the authority to implement a reorganization. Section 3208 of the 2014 Farm Bill requires the Secretary of Agriculture (the Secretary) to propose to Congress a reorganization of international trade functions for imports and exports, including a plan for the establishment of an Under Secretary for Trade and Foreign Agricultural Affairs.⁸⁷ After submission of the plan, subsection (b)(4) of Section 3208 *requires* the Secretary to implement a reorganization "of international trade functions for imports and exports of the Department of Agriculture, including the establishment of an Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs."⁸⁸ As a general matter, reorganization authority granted the

⁸⁷ Section 3208 of the Agricultural Act of 2014, Pub. L. 113-79 (7 U.S.C. § 6935).

⁸⁸ Ibid. § 3208(b)(4). Emphasis supplied.

Secretary by the Department of Agriculture Reorganization Act of 1994⁸⁹ lapsed in 1996.⁹⁰ Reorganization authority under Reorganization Plan No. 2 of 1953, however, was retained as an exception.⁹¹ The provision in the 2014 Farm Bill, in combination with the retained authority from the Reorganization Plan No. 2 of 1953, provides the necessary authority. However, the department believes that legislative language that would add the authority described here to the Reorganization Act of 1994 would provide clarity.

3. Not all agencies related to trade and international issues will be moved to the new mission area. As discussed in Chapter 2, almost every agency in USDA has some responsibility for trade or other international issues. Obviously, it was not the intent of Congress to move all international and trade responsibilities to the new trade portfolio. If that were the case, almost every agency would have to be moved in its entirety to the new portfolio or be surgically carved up to remove the international functions from those agencies. As discussed earlier in this chapter, splitting agencies is not always feasible or desirable. Therefore, in designing options for consideration, the Panel focused on agencies with responsibilities most closely linked with FAS, trade promotion, and addressing SPS and other NTBs.
4. The Foreign Agricultural Service (FAS) will be the heart of the proposed trade mission area. There is unanimous agreement among USDA officials, external stakeholders, and the Panel that FAS in its entirety is intended to be the centerpiece of the new U/S portfolio. Therefore, all of the options the Panel considered involved splitting the Farm Service Agency (FSA) and FAS into separate mission areas. Both internal and external stakeholders agreed that the link between FSA and FAS has decreased significantly over the years. In addition, splitting FAS out of the current FFAS portfolio ensures senior leadership focus on domestic, as well as international, mission areas. However, many stakeholders also contended that coordination between these two agencies will need to continue for a variety of reasons, such as the need to protect farm programs in trade negotiations. Another issue of note is that none of the reorganization options considered affects the organizational structure of FAS; it is assumed that FAS remains intact and continues to carry out all of its existing trade and development programs.

4.2 Evaluating Options

The Panel developed nine criteria to guide the evaluation of different options for reorganization. (While criteria were primarily used for evaluation, they also contributed somewhat to the development of different options.) There is no such thing as a perfect

⁸⁹ Pub. Law 103-354 (1994); 108 Stat. 3178.

⁹⁰ Ibid. See § 296(a) (7 U.S.C. § 7014(a)).

⁹¹ Reorganization Plan No. 2 of 1953. 5 U.S.C. app; 7 U.S.C. § 2201 note.

organizational structure; all have “inherent strengths and weaknesses.”⁹² The evaluation criteria provide a basis for comparing the trade-offs between the options.

The criteria were identified through an analysis of the issues raised in interviews and a review of the literature on effective organizational design. Evaluating the options against several of the criteria requires educated guesses about how well the alternatives will help USDA meet the trade objectives of improved coordination and enhanced ability to meet challenges and take advantage of opportunities. Therefore, the soundness of the evaluation of options depends on the validity of our assumptions.⁹³

Below, we briefly define each criterion and describe some considerations and assumptions affecting how they were applied to the options based on organizational design principles and expressed concerns of different stakeholder groups. The criteria do not have equal weights, but each is important enough to take into consideration when evaluating options.

1. Establishment of a U/S for Trade: The establishment of a U/S with responsibility for trade provides consistent, high-level leadership on trade.

While Congress’s mandate was for the Academy to propose a reorganization to create a U/S for trade, the Panel believes the pros and cons of this solution warrants careful consideration. The establishment of a U/S for trade position is an important factor to consider when evaluating options because a principle of organizational design is that strategically important activities should be overseen by a strong direct-report to the head of the organization.⁹⁴ All stakeholders agreed that trade is, and will continue to be, increasingly important to the agricultural sector. Also, as discussed below, it is accepted practice to use the status quo for comparative purposes. Therefore, the options for reorganization compare favorably to the status quo because they include the new U/S position for trade while the status quo does not.

2. Coordination: How well the organizational structure would support coordination on trade-related functions.

The options were developed to respond to Congress’s mandate that the trade U/S would be responsible for interagency coordination on SPS and other non-tariff barriers to trade. The assumption is that grouping similar agencies in the same mission area improves coordination because it decreases the need to cross institutional boundaries. Being in the same organizational unit tends to strengthen linkages because a “common leader, shared objectives, aligned performance

⁹² PriceWaterhouseCoopers, *Key Principles of Organization Design: Diagnosing Issues in a Company’s Structure*, January 2009, p. 1.

⁹³ Structured Decision Making, (Date Accessed: June 1, 2015).

<http://www.structureddecisionmaking.org/steps/evaluationcriteria1/>.

⁹⁴ PricewaterhouseCoopers, p. 2.

measures, and cultural traits of a group” tend to connect people even if their work is very different.⁹⁵ Another assumption is that minimizing the number of U/S portfolios that need to coordinate with each other simplifies and streamlines coordination.

3. Regulatory and Scientific Independence: The extent to which the actual and perceived objectivity of regulatory and scientific agencies is protected.

There is a long-standing public administration principle to institutionalize regulatory independence.⁹⁶ Putting organizations responsible for overseeing (or in this case, regulating) an activity under the authority of an organization responsible for performing or promoting the activity to be overseen has the potential to create an inherent conflict of interest likely to be resolved in the interest of the performing/promoting organization. There is also an organizational design principle to protect critical specialists by keeping them in separate work units to prevent “contamination” of their work, provide them with control over their objectives, and foster the development of needed expertise and skills.⁹⁷

However, the Panel makes a distinction between regulation for different purposes and with different goals. APHIS and FSIS, for example, are responsible for developing and enforcing regulations designed to protect human, animal, and plant health. Regulatory independence in this case is critically important because public health and food safety affect every American citizen and, ultimately, the confidence of trade partners in the quality and safety of U.S. products. The goals of these regulations can be in conflict with the goals of trade promotion. On the other hand, the purpose of many of AMS’s quasi-regulatory and FGIS’s regulatory activities is to facilitate trade, primarily through quality standards and product differentiation, and therefore regulatory independence is less of a concern.

4. Disruption: The extent and likely duration of the negative effects and unintended consequences of reorganization once it is implemented, including impacts on productivity, workload, and staff morale.

⁹⁵ Ibid., p. 3.

⁹⁶ A recent reference on this issue is provided by Carrigan, Christopher and Lindsey Poole, “Structuring Regulators: The Effects of Organizational Design and Regulatory Behavior and Performance.” June, 2015. <https://www.law.upenn.edu/live/files/4707-carriganpoole-ppr-researchpaper062015pdf>. Section I.C, “Weighing the Advantages and Disadvantages of Regulatory Independence” (p. 8-10) summarizes that independent regulatory agencies prevent political bodies from interfering and altering procedures to suit their individual agendas. We see an application of this principle in the USDA context, and identify similar examples in other cabinet agencies that have a mix of regulatory and operational/promotional agencies, such as the Department of Commerce. The danger is that independence can, in theory, reduce agency accountability. However, this danger is countered by additional theory stating that accountability in a regulatory agency may be better protected through procedural constraints rather than placing them under political control.

⁹⁷ PriceWaterhouseCoopers, p. 3.

This criterion was included in recognition of the fact that there are negative consequences associated with any reorganization and the goal is to ensure that the positive results of the reorganization outweigh the negative consequences.

5. **Synergies**: The extent to which informal linkages within and across agencies positively affect the efficiency and effectiveness of an organization's mission performance.

These linkages can be disrupted, enhanced, or created through reorganizations that move agencies in whole or in part to different chains of command.

6. **Ease of Implementation**: The feasibility of implementing the reorganization.

This could include the extent of stakeholder opposition to, or support of, certain features of the options; the impact of the reorganization in terms of resource allocation and number of agencies affected; and the ability to split agencies/functions.

7. **Flexibility**: The ability to plan for and respond to trade barriers that are likely to increase in variety and complexity over time.

This criterion was developed because any organizational structure implemented by USDA will likely remain in place for decades.

8. **Policy Making**: The extent to which the structure facilitates the development of clear policy and ensures that policy trade-offs are made at the appropriate level.

Clear policy is a precondition for efficient program implementation. Ensuring that policy trade-offs are made at the appropriate level bears on the transparency and legitimacy of policy making.

9. **Portfolio Composition**: The extent to which portfolios have the critical mass—in terms of mission, staffing, and budget—to justify U/S positions, but are not too large and broad in scope to manage effectively.

The size and composition of the portfolio affects the status and influence of the U/S within the department. At the same time, it is important to guard against putting functions that are too disparate under the same U/S because it could hinder consistent leadership by dividing or distracting the attention of the U/S.

4.3 Reorganization Options

The Panel considers four options in the context of this study, including three that create a new U/S. Key elements of the four are briefly introduced below. A fuller discussion of each option with an accompanying depiction of the resulting U/S portfolios is provided later in this chapter.

1. **Status Quo:** In keeping with standard practice in developing options, the status quo option provides a baseline for comparison with other options. It is worth noting some positive characteristics of this option, such as avoiding disruption and maintaining the influence associated with FAS reporting to the U/S FFAS, who is the third-ranking official in USDA.
2. **Direct Authority:** This option represents the preferences of the majority of the industry proponents for reorganization, as communicated in interviews. A key assumption underlying this option is that greater coordination between FAS and two important partner agencies—the Food Safety Inspection Service (FSIS) and the Animal and Plant Health Inspection Service (APHIS)—is achieved by bringing all or part of them under the direct authority of a new trade-focused U/S.
3. **FAS Only (with a new health and safety U/S):** This option was developed to avoid unintended consequences of the Direct Authority option, including:
 - Actual or perceived loss of independence and objectivity of health and safety regulatory agencies that would occur by putting them in a trade promotion mission area
 - Distraction of focus that could occur as a result of the U/S for trade directly managing agencies with diverse missions and priorities

In order to protect the independence of these regulatory agencies, they are not directly under the U/S for trade. However, to streamline and facilitate coordination between the agencies that need to work together on addressing SPS issues, APHIS and FSIS are grouped together under a U/S for Health and Safety, which reduces the number of U/Ss involved in addressing SPS issues from three to two.

We note that an FAS Only option could also be achieved by creating an eighth U/S position. However, that option includes all of the downsides of the FAS Only option (discussed below), as well as some additional negative characteristics like creating an additional direct report to the Secretary and another position subject to the vagaries of the Senate confirmation process. At the same time, creating an eighth U/S would not achieve any of the benefits of reorganizing domestic functions. Another important downside to creating an eighth U/S is that there is some congressional opposition to doing so. For all of these reasons, the option of creating an eighth U/S is not presented in this report.

4. **FAS + Agricultural Marketing Service (AMS) Components + the Federal Grain Inspection Service (FGIS)** (along with new health and safety U/S): This option was considered due to the potential to create new synergies and capabilities in the trade mission area consistent with trade promotion and facilitation through market development. In particular, functions to help producers meet the trend of increasing demand for agricultural goods that meet voluntary quality standards and/or have

been produced using specific processes would be added to the U/S's responsibilities. AMS components are involved in several trade support functions, including voluntary export verification and certification activities. Similarly, FGIS enforces quality standards for bulk grain exports. In both cases, the purpose of these functions is trade facilitation through product differentiation (rather than protecting health and safety). In addition, putting AMS components and FGIS under the trade U/S would increase the size of the portfolio, which would help justify a U/S position. Like Option 3, this option also groups regulatory agencies focused on health and safety together under one U/S, but keeps them separate from trade.

As noted earlier in this chapter, several agencies that carry out some international functions, including functions related to trade, were not considered to be part of the reorganization options presented in this report. For example, it could be argued that ERS provides an important support function to FAS and therefore should be moved to the trade mission area. However, ERS is an academically oriented agency that is responsible for a wide range of research topics; as a result, its inclusion in the trade portfolio could have the negative effect of diverting the U/S's focus. Moreover, ERS is depended upon to develop objective and unbiased research and analysis, and moving it to a trade mission area could undermine its credibility.

OPTION 1: STATUS QUO

This option is defined by the current organization of USDA—its seven U/S positions and their mission areas.

U/S for Natural Resources and Environment	U/S for Farm and Foreign Agricultural Services	U/S for Rural Development	U/S for Food, Nutrition, and Consumer Services	U/S for Food Safety	U/S for Research, Education, and Economics	U/S for Marketing and Regulatory Programs
<ul style="list-style-type: none"> • Forest Service • Natural Resources Conservation Service 	<ul style="list-style-type: none"> • Farm Service Agency • Foreign Agricultural Service • Risk Management Agency 	<ul style="list-style-type: none"> • Rural Utilities Service • Rural Housing Service • Rural Business Cooperative Service 	<ul style="list-style-type: none"> • Food and Nutrition Service • Center for Nutrition Policy and Promotion 	<ul style="list-style-type: none"> • Food Safety and Inspection Service 	<ul style="list-style-type: none"> • Agricultural Research Service • National Institute for Food and Agriculture • Economic Research Service • National Agricultural Statistics Service 	<ul style="list-style-type: none"> • Agricultural Marketing Service • Animal and Plant Health Inspection Service • Grain Inspection Packers and Stockyards Admin.

The status quo offers the advantage of risk avoidance. There are no unintended consequences and no disruption of agency operations stemming from reorganization. It also avoids the risk of conferring more power to trade vis-à-vis food safety and public health, a concern of consumer rights/food safety organizations.

As noted in Chapter 3, some proponents of the status quo also offer more positive reasons for their support. For example, it preserves the departmental influence of FAS by virtue of reporting to the third-ranking USDA official. Proponents of the status quo also point to recent record increases in agricultural exports as proof that the current structure works.

Rather than a justification for the status quo, recent growth in agricultural exports and the prospect of continued growth in the future are viewed by those advocating reorganization as reasons for the reorganization and establishment of a U/S position focused on trade. Proponents for change argue that the status quo has several flaws, including that the portfolio of the U/S for Farm and Foreign Agricultural Services (FFAS) is too much for one person to manage effectively, consistent U/S-level leadership on agricultural trade issues is lacking, and coordination between the different agencies with roles and responsibilities for addressing SPS issues is not efficient or effective. These stakeholders believe the advantage of a U/S focused on trade outweighs the benefit of having the third most powerful official at USDA responsible for trade.

Ultimately, the Panel determined that the status quo is not a viable option. As discussed in Chapter 3, the Panel concluded that the current organizational structure of USDA is not well suited to meet the demands of its current and likely future operating environment.

OPTION 2: DIRECT AUTHORITY

Option 2 is based on the preferences of many industry proponents for reorganization. A key objective of this option is to achieve greater coordination with two key partner agencies in addressing SPS issues by bringing all or part of them under the direct authority of a new trade-focused U/S.

U/S Positions Eliminated:

- Farm and Foreign Agricultural Services
- Marketing and Regulatory Programs

U/S Positions Created:

- Trade and Foreign Agricultural Affairs
- Farm Services, Marketing, and Regulatory Programs

The new U/S portfolios are highlighted in yellow on the organization charts that follow.

U/S for Natural Resources and Environment	U/S for Farm Services, Marketing, and Regulatory Programs	U/S for Rural Development	U/S for Food, Nutrition, and Consumer Services	U/S for Food Safety	U/S for Research, Education, and Economics	U/S for Trade and Foreign Agricultural Affairs
<ul style="list-style-type: none"> • Forest Service • Natural Resources Conservation Service 	<ul style="list-style-type: none"> • Farm Service Agency • Risk Management Agency • Grain Inspection Packers and Stockyards Admin. • Agricultural Marketing Service 	<ul style="list-style-type: none"> • Rural Utilities Service • Rural Housing Service • Rural Business Cooperative Service 	<ul style="list-style-type: none"> • Food and Nutrition Service • Center for Nutrition Policy and Promotion 	<ul style="list-style-type: none"> • Food Safety and Inspection Service <p>(Note:*U.S. Codex Alimentarius Office extracted from FSIS and moved to U/S T&FAA portfolio)</p>	<ul style="list-style-type: none"> • Agricultural Research Service • National Institute for Food and Agriculture • Economic Research Service • National Agricultural Statistics Service 	<ul style="list-style-type: none"> • Foreign Agricultural Service • Animal and Plant Health Inspection Service • U.S. Codex Alimentarius Office

Notably missing from this reorganization is the remainder of FSIS, which has a key role to play in the regulation and trade of meat, poultry, egg, and dairy products. Some external and internal stakeholders indicated in interviews that coordination between FAS and FSIS is in greater need of improvement than coordination between APHIS and FAS. However, no interviewees seriously advocated for moving FSIS to trade because of the unique and important role it plays in food safety and recognition that political sensitivities related to maintaining FSIS as a separate agency with its own U/S would generate intense opposition to such a move, and likely undermine the overall restructuring effort.

Arguments in Support of Option 2

- Achieves the industry goal of increased coordination on SPS issues. Inclusion of APHIS and the Codex Office in the new trade-focused U/S is a primary objective of industry stakeholders because it would enable greater coordination of key SPS-related authorities/responsibilities. Some experts estimate that approximately 75 percent of trade problems are related to SPS and expect SPS trade irritants to increase in volume and complexity as agricultural trade continues to grow.

- Responds to the congressional mandate. This option is consistent with congressional language specifying that the new U/S “would serve as a multiagency coordinator of sanitary and phytosanitary issues and non-tariff barriers in agriculture with respect to imports and exports of agricultural products.” As discussed in Chapter 2, FAS, APHIS, FSIS, and—to some extent—the Federal Grain Inspection Service (FGIS, or the “GI” in GIPSA) are the agencies responsible for addressing SPS issues.
- Does not disrupt mission-critical linkages. APHIS has minimal linkages with other agencies in the existing Marketing and Regulatory Programs portfolio (i.e., AMS and GIPSA). Similarly, proponents argue that moving the Codex Office will not affect the mission performance of either the Codex Office or of FSIS because the Codex Office is a fairly small and discrete part of FSIS.
- Provides the opportunity to create new synergies in the Farm Services, Risk Management, and Marketing U/S portfolio. Combining FSA, RMA, GIPSA, and AMS in a new U/S portfolio could enhance and create synergistic linkages between these agencies (for example, AMS and FSA work together on organic certification).

Arguments against Option 2

The Panel strongly and unanimously recommends against Option 2 for the following reasons.

- Threatens to compromise the actual and/or perceived independence of health and safety regulatory and scientific agencies. While APHIS and Codex Office responsibilities are pertinent to managing trade issues, trade is not their primary mission—their mission is protecting human, animal, and plant safety. Putting APHIS and the Codex Office in the trade promotion mission area will not necessarily compromise science and regulations, but the likelihood that health and safety regulatory decisions would be unduly influenced by trade promotion priorities is increased. Furthermore, the U.S. is a leader internationally in advocating and supporting science-based trade policy. Conflating science and trade by putting them in the same mission area will, at a minimum, affect perceptions of scientific integrity and undermine USDA’s trade positions.

Proponents of this option argue that regulatory independence is not a concern for the following reasons:

- Pressure on regulatory agencies will occur wherever they are in the organizational structure.
- All of the agencies and U/Ss report to the same Secretary, and thus foreign counterparts do not make such a fine distinction between science/regulatory agencies and trade promotion.

- No USDA official would be so imprudent as to put pressure on regulatory agencies that would result in a risk of introducing an animal or plant disease to the U.S. because of the potential danger to the health and well-being of citizens and the agricultural economy.

It is true that pressure on regulatory agencies will occur wherever they are placed in the organizational structure—in fact, many stakeholders contend that it is happening now. The concern is that the pressure will be even greater if science and regulatory agencies are placed under a new U/S responsible for trade promotion.

Regarding the argument that all USDA agencies report to the same Secretary, and thus the distinction of putting different agencies in different mission areas is an artificial one, other stakeholders strongly believe that foreign counterparts do make a distinction between science/regulatory agencies and FAS: it is not all “one USDA” to them.

Furthermore, the argument that it would be counterproductive to put pressure on regulatory agencies that would risk introduction of animal diseases or pests into the U.S. is very true. However, there are often legitimate differences in interpretations of risk. Putting regulatory and science agencies under the authority of an individual responsible—and accountable to Congress—for trade promotion, and who does not have the technical knowledge and expertise necessary to interpret data and risk assessment results, provides the opportunity for pressure to be put on regulatory agencies to accept a level of risk that is higher than they believe is acceptable.

Proponents also argue that there would have to be separate deputy U/S positions under the U/S for trade: one to oversee trade and the other to oversee science/regulation. This dual structure would be sufficient to protect the regulatory independence of APHIS and the Codex Office. However, others point out that having to put a separate deputy U/S over APHIS and the Codex office to “protect” them from pressures connected with trade promotion argues against putting these functions in the same mission area to begin with.

Both internal and external stakeholders believe that APHIS and the Codex Office have a high level of respect internationally due to their objectivity and scientific integrity. This is the foundation for American agriculture’s “brand” around the world. Even the appearance of health and safety being unduly influenced by trade could tarnish that reputation and undermine public trust and the U.S. position on SPS and other NTBs, which is premised on a dedication to science-based standards. Many individuals interviewed believe the negative effects of this structure would not be confined solely to public health and safety; exports would likely be negatively affected as well.

- Prevents policy-making at the appropriate level. This structure does not support making policy trade-offs between health/safety and trade at the appropriate level of

the department. The Panel strongly believes that these trade-offs are important enough that they should be made at the U/S level, with disagreements elevated to the Secretary's office for a final decision. In Option 2, the deputy U/Ss—as “equals”—would make most trade-offs, and disagreements would be elevated to the U/S level for the final decision.

- Difficult to implement. Consumer rights/food safety groups, some members of Congress, and some other federal entities expressed strong opposition to moving APHIS and the Codex Office under a U/S focused on trade. Even if the Panel thought this was a good idea—which it does not—the strong opposition would likely make its implementation difficult or impossible.
- Divides the focus of the U/S. Bringing regulatory agencies under the direct authority of a trade-focused U/S would divide the focus of the U/S. In addition, since proponents of the U/S for trade position strongly advocate that the individual be selected based on their trade experience and expertise, the U/S would not necessarily have the qualifications appropriate to oversee technical and scientific agencies.

It should be noted that some stakeholders advocate moving only the APHIS component responsible for equivalency assessments of other countries' animal and plant health systems to the trade portfolio. However, the majority of external and internal stakeholders oppose splitting APHIS because they believe it would sever linkages critical to performing both trade and regulatory missions. For example, pertinent subject matter expertise is closely tied to domestic inspection work. The previous transfer of some of APHIS's responsibilities and personnel to the Department of Homeland Security was frequently raised as a cautionary tale.⁹⁸ The Panel agrees that splitting APHIS would have serious unintended consequences. Therefore, this option is not presented in this report.

OPTION 3: FAS ONLY

This option was developed as an alternative to option 2, based on considerations including, among others:

- Avoiding the risk of compromising the actual or perceived independence of APHIS and FSIS regulatory functions
- Avoiding the distraction of focus of the trade U/S
- Improving coordination among agencies with responsibilities related to SPS issues and other NTBs

⁹⁸ When the Department of Homeland Security was established, responsibility for enforcing APHIS regulations at ports of entry and the inspectors who carried out that role were transferred to Customs and Border Protection (CBP). These inspectors relied upon APHIS's technical expertise to carry out their responsibilities; when they were moved to CBP, they were untethered from the institutional knowledge they needed.

U/S Positions Eliminated:

- Farm and Foreign Agricultural Services
- Marketing and Regulatory Programs
- Food Safety

U/S Positions Created:

- Trade and Foreign Agricultural Affairs
- Farm Services, Risk Management, and Marketing
- Health and Safety

U/S for Natural Resources and Environment	U/S for Farm Services, Risk Management, and Marketing	U/S for Rural Development	U/S for Food, Nutrition, and Consumer Services	U/S for Health and Safety	U/S for Research, Education, and Economics	U/S for Trade and Foreign Agricultural Affairs
<ul style="list-style-type: none"> • Forest Service • Natural Resources Conservation Service 	<ul style="list-style-type: none"> • Farm Service Agency • Risk Management Agency • Grain Inspection Packers and Stockyards Admin. • Agricultural Marketing Service 	<ul style="list-style-type: none"> • Rural Utilities Service • Rural Housing Service • Rural Business Cooperative Service 	<ul style="list-style-type: none"> • Food and Nutrition Service • Center for Nutrition Policy and Promotion 	<ul style="list-style-type: none"> • Food Safety and Inspection Service • Animal and Plant Health Inspection Service 	<ul style="list-style-type: none"> • Agricultural Research Service • National Institute for Food and Agriculture • Economic Research Service • National Agricultural Statistics Service 	<ul style="list-style-type: none"> • Foreign Agricultural Service

Arguments in Support of Option 3

- Protects the independence of health and safety regulatory and scientific agencies. Agencies responsible for protecting health and safety, including in the context of trade, maintain their actual and perceived independence—a priority for the Panel. Putting the two agencies responsible for health and safety together in the same mission area also strengthens the U.S.’s science-based brand.

- Simplifies and streamlines coordination on SPS issues. While this option does not put all agencies with key responsibilities for SPS under a single U/S, it simplifies coordination by reducing the number of U/Ss involved from three to two by placing APHIS and FSIS under a single U/S.
- Enables consistent, high-level focus on trade. All internal and external stakeholders interviewed for this study emphasized the importance of trade to the agricultural sector and the fact that trade and trade opportunities are continuing to grow. For this reason, it could be argued that FAS deserves its own U/S. The current Food Safety mission area, which consists of FSIS only, sets a precedent for having an important function separated out from other agencies in its own U/S portfolio.⁹⁹
- Supports policy-making at the appropriate departmental level. Creating a mission area that consists of FAS alone ensures that policy trade-offs between health/safety and trade, and farm programs and trade, are made at the U/S level and that disagreements between U/Ss on these critically important issues are raised to the Secretary for a final decision.
- Allows the new U/S to focus on trade promotion. The U/S for trade is not distracted by managing other agencies with diverse missions, priorities, and skill sets and can concentrate on policy development, planning, and coordination.
- Provides flexibility to the trade U/S. Somewhat related to the “focus” advantage above, limiting the portfolio of the U/S for trade to FAS could allow the U/S to more quickly shift priorities and coordinate and align with different parts of the department as needed to address trade irritants that may become increasingly important in the future (e.g., animal rights, nanotechnology, and environmental impact of production methods).
- Creates synergistic linkages between regulatory agencies. The new Health and Safety mission area facilitates coordination and creates new synergies between FSIS and APHIS, which may prove increasingly important as the boundaries between animal/plant health and food safety/public health blur (e.g., the increasing concern with zoonotic diseases). In addition, APHIS and FSIS already work closely together on the import of meat and poultry products (both agencies must certify the safety of the product), and APHIS veterinarians work closely with FSIS to ensure slaughtering practices meet food safety guidelines.

While the Panel understands Congress’s rationale in creating a separate Food Safety portfolio that contained only FSIS, the Panel believes that grouping FSIS with APHIS

⁹⁹ The 1994 USDA reorganization occurred shortly after the 1993 Jack in the Box *E. Coli* outbreak involving 73 restaurants in four states that infected 732 people, most of whom were children. Four children died and 178 people suffered permanent injuries. In the wake of this outbreak, Congress mandated that Food Safety be elevated to a U/S position that oversaw FSIS only.

broadens the definition of public health, creates important mission-critical synergies with another regulatory agency, and strengthens the U.S.'s "brand" of reliance on science-based standards.

- Avoids disrupting mission-critical linkages. While several agencies will be moved to new U/S portfolios in Option 3, the moves will not sever mission-critical linkages because the agencies being moved do not have strong linkages with the other agencies in their current U/S's portfolio.
- Supports U/S focus on domestic programs. Moving FAS to its own portfolio does not only give trade and international issues the undivided focus of a U/S; domestic programs will also receive the full attention and focus of a U/S as a result.
- Enhances and creates synergistic linkages among agencies in the farm and marketing mission area. Like in Option 2, grouping FSA, RMA, and AMS together in the same mission area could enhance existing and create new important linkages.

Arguments against Option 3

- U/S for trade portfolio lacks critical mass. The small staff size and budget of the new U/S portfolio might negatively affect the U/S's power and influence within the department. However, the size of the portfolio is counterbalanced by its prestige as well as the singular focus afforded. Specifically, regarding the prestige and scope of the portfolio:
 - As discussed in Chapter 2, agricultural trade is growing by every measure: volume, value, percent of U.S. trade, percent of U.S. Gross Domestic Product, percent of farmer income, and number of countries with which the U.S. engages in agricultural trade.¹⁰⁰ Current agricultural exports are valued at more than \$150 billion, and the U.S. has agricultural trade relationships with 167 countries.¹⁰¹
 - FAS is a managerial challenge, with 95 offices in 75 countries.¹⁰²
 - The U/S for trade would be responsible for supporting USTR and participating in multilateral trade negotiations.
 - The U/S for trade would also be responsible for managing FAS's development and capacity-building mission responsibilities.

¹⁰⁰ WTO, *International Trade Statistics 2014* at Table II.14 "Leading exporters and importers of agricultural products, 2013" p. 67; https://www.wto.org/english/res_e/statis_e/its2014_e/its2014_e.pdf.

¹⁰¹ <https://www.wto.org/index.htm>.

¹⁰² USDA Foreign Agriculture Service Strategic Plan FY 2012-2016: http://www.fas.usda.gov/sites/development/files/fas_stratplan_2012-2016.pdf.

Does not create new synergies or linkages in the U/S for trade portfolio. The FAS Only option does nothing to expand USDA's approach to trade or enhance FAS's mission-critical capabilities.

Difficult to implement. Industry and some congressional members might oppose this option because, while it elevates trade as a priority within the department and the administration, and creates a U/S position focused on trade, it does not give the trade U/S direct authority over agencies with responsibilities for addressing SPS or other NTBs.

OPTION 4: RECOMMENDED OPTION: FAS + AMS COMPONENTS + FGIS

Option 4 is the Panel's recommended reorganization option. This option is a refinement to the FAS Only option based on two additional considerations:

- Adding responsibility for market development to the trade promotion portfolio, which will strengthen USDA's ability to meet current and future trade challenges
- Providing the critical mass to justify a U/S position focused on trade.

U/S Positions Eliminated:

- Farm and Foreign Agricultural Services
- Marketing and Regulatory Programs
- Food Safety

U/S Positions Created:

- Trade and Market Development
- Farm Services and Risk Management
- Health and Safety

Note that the title of the U/S responsible for trade has changed from the U/S for Trade and Foreign Agricultural Affairs to the U/S for Trade and Market Development (TMD). The Panel believes this title more accurately describes the new U/S's responsibilities.

U/S for Natural Resources and Environment	U/S for Farm Services and Risk Management	U/S for Rural Development	U/S for Food, Nutrition, and Consumer Services	U/S for Health and Safety	U/S for Research, Education, and Economics	U/S for Trade and Market Development
<ul style="list-style-type: none"> • Forest Service • Natural Resources Conservation Service 	<ul style="list-style-type: none"> • Farm Service Agency (Includes purely domestic components of AMS and Packers and Stockyards Program) • Risk Management Agency 	<ul style="list-style-type: none"> • Rural Utilities Service • Rural Housing Service • Rural Business Cooperative Service 	<ul style="list-style-type: none"> • Food and Nutrition Service • Center for Nutrition Policy and Promotion 	<ul style="list-style-type: none"> • Food Safety and Inspection Service • Animal and Plant Health Inspection Service 	<ul style="list-style-type: none"> • Agricultural Research Service • National Institute for Food and Agriculture • Economic Research Service • National Agricultural Statistics Service 	<ul style="list-style-type: none"> • Foreign Agricultural Service • Agricultural Marketing Service (Includes trade-related components of AMS and the Federal Grain Inspection Service)

The goal of the Panel’s reorganization recommendation is to recognize and encourage the trend toward globalization of markets. As a result, one of the responsibilities of the new U/S TMD will be to encourage producers to think about trade and marketing in the global context. In addition to trade promotion, the responsibilities of the U/S TMD would include trade facilitation through activities that provide the infrastructure for market development. To accomplish this, the Panel recommends moving AMS and GIPSA functions that support trade to the new U/S TMD. Importantly, this includes functions related to voluntary quality standards and product differentiation. Quality standards are becoming increasingly important at the global level, both in terms of the promotion and obstruction of trade. Compliance audits and certification of these standards—primarily for the purpose of product differentiation (e.g., grass-fed beef, or non-GMO)—are currently carried out by AMS and FGIS.¹⁰³

¹⁰³ In many of these instances, an importing country’s standards for differentiation do not fall into the category of a health or safety issue, and thus are not under the jurisdiction of FSIS or APHIS. In these cases, AMS provides export verification and certification services to meet the importing country’s requirements.

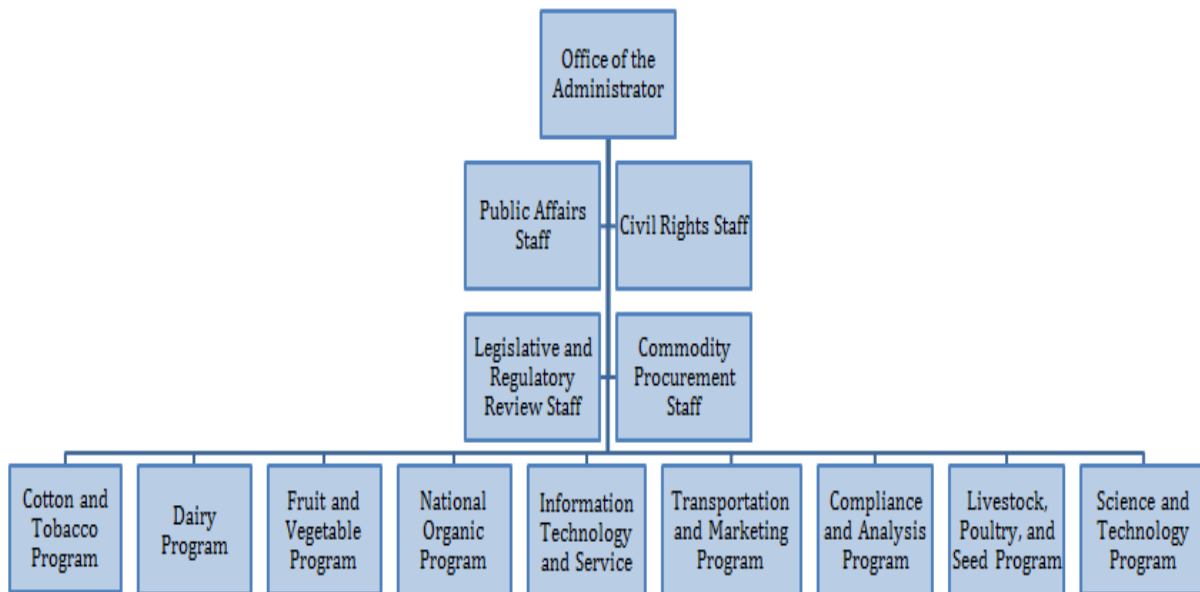
For reasons discussed in more detail later in this chapter, the Panel is *not* recommending splitting international functions out from domestic functions. The Panel recognizes that splitting these functions into domestic versus international would cause duplication and individuals could lose access to critical expertise. It could be argued that these programs are a better fit with other domestic agencies because their functions are primarily domestic. However, the Panel believes these functions belong in the trade portfolio because as demand for agricultural products in the U.S. has plateaued, the focus of market development will increasingly be international. In other words, while these programs are primarily focused on domestic markets currently, they will become increasingly focused on international markets in the future.

Therefore, the Panel recommendation is to move AMS components that support both domestic and international trade to the new TMD portfolio in their entirety, regardless of the relative domestic versus international focus of their activities. The remaining purely domestic components of AMS would be moved to the new Farm Services and Risk Management (FSRM) mission area. These components will likely be too small to stand alone as a separate agency and should be merged with FSA.

The Panel is also recommending moving FGIS in its entirety to the new trade portfolio. FGIS is too small to be a standalone agency, and therefore should be merged with the AMS components moved to the trade portfolio. The Packers and Stockyards Program (the “PS” in GIPSA) would be moved to the new FSRM portfolio and, due to its small size, would be incorporated into FSA.

The components of AMS that will be moved in their entirety are depicted in the AMS organization chart, below. To the extent possible, the Panel recommends moving full components of AMS to the new U/S portfolio. However, there are some components that will need to be split because they include some purely domestic functions that should not be moved to the new trade mission area.

AMS and FGIS services are provided directly to exporters for a fee, and usually at the request of the producer. However, FGIS also monitors and enforces compliance with standards mandated by law.



The following components would be moved to the trade portfolio in their entirety:

- Cotton and Tobacco Program
- Dairy Program
- Fruit and Vegetable Program
- National Organic Program
- Livestock, Poultry and Seed Program

Keeping these programs intact and organized by commodity will also help ensure that industry is able to maintain their AMS contacts and that AMS is able to continue to provide services on the basis of commodity.

In addition to the components listed above, the following programs would also move to trade:

- Agricultural transportation (currently part of the Transportation and Marketing Program)
- Lab approval and testing (currently part of the Science and Technology Program)
- Plant variety protection (currently part of the Science and Technology Program)

The Panel recommends that the remaining (purely domestic) programs of AMS be merged with FSA.

Splitting GIPSA is less problematic. FGIS and the Packers and Stockyards Program (P&SP) have little in common beyond the fact that they are both regulatory agencies. No mission-critical linkages will be disrupted by the split.

Arguments in Support of Option 4

Option 4 realizes many of the benefits of Option 3, including:

- Maintaining the independence of agencies responsible for regulating health and safety, including in the context of trade
- Simplifying and streamlining coordination between the three agencies (FAS, APHIS, and FSIS) with primary responsibility for addressing SPS issues
- Improving coordination and creating synergies between FSIS and APHIS
- Enabling consistent high-level focus on trade

Provides additional critical mass to the TMD mission area. This option improves on Option 3 by strengthening the trade promotion and facilitation capabilities of TMD with the addition of market development functions of AMS and FGIS, providing an opportunity for USDA to take a broader approach to trade. While the portfolio is relatively small in size compared to other USDA mission areas, it is larger in staff and budget than Option 3. Moreover, the product differentiation functions are likely to expand over time. For these reasons, the Panel believes this option provides a critical mass to justify a U/S TMD position.

Provides ability to meet future challenges. In addition to positioning USDA to meet current trade challenges, this structure supports the continued ability of USDA to meet challenges just over the horizon. Agricultural trade experts have recognized that product differentiation will be increasingly used to create trade barriers, as well as to facilitate trade.¹⁰⁴ Even though coordination between AMS and FAS on internationally related functions is currently working well, this relationship will become increasingly important in the future as the global middle class grows and demand for food meeting certain quality standards and/or produced using certain processes increases. The U/S TMD needs to be an advocate for U.S. production processes around the world, and having the components responsible for verifying and certifying processes in the TMD portfolio will support this important responsibility. In addition, there are synergies in terms of a focus on opening markets and facilitating trade.

Maintains and improves coordination on trade issues. Like in Option 3, coordination between agencies responsible for addressing SPS issues is improved because they are in two mission areas instead of three. In addition, coordination between FAS and programs responsible for facilitating market development (including quality standards and product differentiation processes and verification) is also improved by moving AMS components and FGIS into the same U/S portfolio with FAS. In addition, most of the formal coordination mechanisms related to trade that are in place will not be disrupted by the reorganization,

¹⁰⁴ See for example, Hobbs, Jill E., "Public and Private Standards for Food Safety and Quality: International Trade Implications" *The Estey Centre Journal of International Law and Trade Policy*, Vol. 11, No. 1 (2010), pp. 136-152. Also see, Maertens, Miet and Swinnen, Johan, *Agricultural Trade and Development: A Value Chain Perspective*, WTO Working Paper ERSD-2015-04, April 2015, p. 12.

although some modifications will be needed (see Appendix D for a list of existing trade-related coordination mechanisms).

Benefits domestic and regulatory programs. On the domestic side, combining FSA and RMA with AMS's domestic programs in one mission area has no unintended consequences and realizes the benefits described in Options 2 and 3, including supporting consistent focus by the U/S on domestic programs. Putting APHIS and FSIS together in the same U/S portfolio also creates synergies between health and safety regulatory agencies.

Supports policy making at the appropriate level. Option 4 supports coordination at the U/S level, which is the appropriate level for policy trade-offs between trade promotion and public health/safety to be made.

Arguments against Option 4

Like the other options presented in this report, Option 4 is not perfect and there are some unintended consequences, discussed below. However, the Panel believes that the negative consequences of this option are outweighed by the multiple benefits that will support USDA in addressing agricultural challenges now and into the future.

Splits existing agencies. Despite the Panel's disinclination to split agencies, AMS and GIPSA will be split in Option 4. Splitting AMS is fairly problematic for a number of reasons and care must be taken to avoid disrupting critical linkages and creating duplication. For the following reasons, it is not feasible or desirable to split the international and domestic functions of AMS programs apart:

- The international and domestic functions of the agency have a shared customer base. As a result, many stakeholders expressed opposition to splitting AMS, saying that it would cause confusion among producers regarding where to go for assistance, and could possibly increase the fees industry pays for AMS's services.
- The same agency personnel perform both domestic and international functions and rely on the same subject matter expertise; AMS's domestic and international activities are inextricably linked. Therefore, splitting international from domestic functions would result in duplication.

As a result, the Panel is recommending moving all programs that support market development to the new TMD portfolio in their entirety, regardless of the relative domestic versus international focus of their activities. However, this approach also has some unintended consequences, including:

- The remaining domestic programs would represent a significantly diminished agency that is unlikely to be viable without merging with another agency, such as FSA.
- Some activities that facilitate markets are significantly more domestic than international in scope. For example, AMS's organic certification program works

on approximately one organic equivalency agreement per year and only about five percent of organic products are exported. Another example is import inspections, which are conducted based on agreements with industry. Currently there are only eight such agreements.

Could undermine regulatory and quasi-regulatory functions. Other countries trust AMS's and FGIS's programs because they consider these agencies to be neutral third parties, operating in USDA but in a separate U/S portfolio from trade promotion. For example, FGIS provides what other countries consider to be an objective assessment of what is wrong with a shipment when there is a problem at a border or port. Moving these functions to a trade mission area could undermine the actual or perceived integrity of the regulatory and quasi-regulatory functions of these agencies. Interviewees provided examples of AMS being pressured to sign off on things due to trade considerations that they had been unable to independently verify and expressed concerns that such pressure could increase if these functions were moved to the trade portfolio.

The Panel does not view the conflict of interest that may result from putting FGIS and AMS regulatory and quasi-regulatory responsibilities under trade promotion to be a significant concern. Unlike the health and safety regulatory functions, which at times can be contradictory to trade—and legitimately so, as they have very different goals and missions—the purpose of the FGIS and AMS regulations is to facilitate trade. In other words, they are set based on commercial concerns versus risk assessments, and are designed to get products to market. Rather than requiring a healthy tension, greater coordination among these functions will be beneficial to USDA and international agricultural trade.

Distracts from the focus of the U/S TMD. Current and former AMS officials estimate that approximately 80 percent of the work of the programs that include both domestic and international functions is domestically focused. As a result, the U/S TMD will be expending a significant amount of time, attention, and resources on domestic functions—which undermines one of the goals for establishing the U/S and reorganizing USDA's structure. However, internal and external stakeholders and trade experts all agree that any growth in agricultural trade at this point is at the international level, which means that increasing the international focus of these functions is appropriate and necessary. Another potential distraction of the U/S's focus would result from overseeing regulatory, quasi-regulatory, and science functions. Moreover, it is unclear how qualified a U/S selected for his or her trade and international experience will be for managing regulatory and scientific agencies and staff.

Difficult to implement. Both industry and USDA officials oppose moving AMS in part or in whole to TMD for the reasons discussed above and others. For example, they argue that AMS is largely a domestic agency and that AMS's primary contribution to trade is that its standards and processes can and are adapted to the international trade arena. Industry opponents also argue that AMS and FAS already coordinate very well with each other; they primarily work together on export certification and that process has become fairly routinized. Consumer rights/food safety advocates also were concerned about moving

some functions of AMS, such as organic certification (the organic industry is also opposed to this) and country of origin labeling. In contrast, industry is generally supportive of moving FGIS to TMD and consumer rights/food safety groups did not have a strong opinion. However, there is strong internal opposition to moving FGIS to TMD. Lack of clear support for this option could make it difficult to implement.

4.4 Summary of the Recommended Option for Restructuring

The Panel endorses a reorganization of USDA's trade-related functions and the creation of a new U/S focused on trade issues. The Panel is convinced that the current USDA structure does not reflect the environment in which USDA is operating and that the reorganization is needed to maximize the effectiveness of the department in meeting challenges and taking advantage of opportunities in agricultural trade, both now and in the future. As part of the reorganization, creating a Senate-confirmed position specifically accountable for trade will help enable a consistent high-level focus on trade issues over time and ensure that a critical function of the department is represented by a direct report to the Secretary.

The U/S for trade portfolio in the recommended option consists of FAS; all the components of AMS that support trade through market development, including quality standards and product differentiation, in their entirety; and FGIS. This portfolio offers important synergies supporting trade promotion efforts in the future inasmuch as quality standards and product differentiation will be increasingly used to create trade barriers, as well as to facilitate trade. The Panel's recommended reorganization option uses a different title for the new U/S than that specified in the legislation to more accurately reflect the responsibilities of the position: "U/S for Trade and Market Development" (TMD).

The recommended reorganization option reflects the Panel's opposition to moving health and safety regulatory agencies, in whole or in part, to the U/S TMD. Doing so would violate principles of public administration and organizational design; threaten the protection of human, animal, and plant health; and undermine U.S agricultural exports.

The Panel's view is that moving APHIS and FSIS into the same U/S portfolio in the recommended option offers a number of important benefits. It simplifies and streamlines coordination on SPS issues to the extent possible by reducing from three to two the number of U/Ss that must coordinate on SPS issues. At the same time, it broadens the definition of public health, strengthens the U.S.'s "brand" of science-based regulations, and creates new mission-critical synergies between the two agencies.

Under the recommended organizational structure, the U/S TMD will have direct responsibility for and authority over the following functions:

1. Promoting and facilitating trade
2. Providing support to USTR and participating in trade negotiations
3. Solving trade implementation issues, including SPS issues in coordination with the appropriate regulatory agencies

4. Verifying and certifying industry compliance with quality standards for the purpose of product differentiation
5. Capacity-building and development

Chapter 5: Implementation

Chapter 4 presents the Panel's preferred option for restructuring USDA. The Panel believes this option offers the greatest potential to enable consistent, high-level focus and efficient interagency coordination on trade issues, while preserving the independence of health and safety regulatory processes and minimizing disruption to other domestic programs and activities. This chapter provides high-level guidance to USDA on implementing the Panel's recommended option.

The Panel believes that the successful implementation of the preferred option will require the following:

- maintaining a clear division of responsibilities between USDA and USTR
- defining the responsibilities of the new U/S positions
- defining the qualifications for the new U/S positions
- enhancing and institutionalizing mechanisms for interagency coordination on trade issues
- planning and executing change effectively

In addition, specifying in legislation the Secretary's authority to carry out restructuring would provide additional clarity.

The Panel provides high-level recommendations in each of these areas to guide USDA's implementation efforts.

5.1 Division of Responsibilities between USDA and USTR

The Panel's aim in developing options for a new U/S for trade was to enable consistent high-level focus on trade issues, not to reconfigure the current division of responsibilities between USDA and USTR. Indeed, preserving the current division of responsibilities was a key parameter of the study.

Some interviewees have expressed concern that the creation of a U/S position with a dedicated focus on trade might lead to conflict between USDA and USTR. This view is not generally held and the Panel does not believe that such conflict is likely. However, in the event significant conflict does arise, it may be mitigated by taking action to further articulate this division of labor and formalize it.

Recommendation: In the event that the creation of a U/S for trade leads to significant conflict with the USTR, the Secretary of Agriculture should consider taking action to formalize the division of responsibilities between USDA and USTR. This might take the form of a Memorandum of Understanding.

5.2 Responsibilities of New U/S Positions

The Panel's preferred option entails the creation of three new U/S portfolios: trade and market development, health and safety, and farm services and risk management. The Panel believes that special consideration should be given to defining the responsibilities of the U/S positions responsible for the trade and market development and health and safety portfolios given that they will be the primary focus of enhancing interagency coordination. The Panel does not comment on the responsibilities of the new U/S for Farm Services and Risk Management beyond noting that they would include: RMA and FSA, the latter expanding to incorporate the Packers and Stockyards Program and the purely domestic programs and activities formerly in AMS.

5.2.1 Responsibilities of U/S for Trade and Market Development

The responsibilities of the new U/S for trade and market development will include the trade and other international responsibilities of the current U/S for Farm and Foreign Agricultural Services, plus functions supporting market development, including quality standards and product differentiation. The Panel emphasizes that this responsibility includes ensuring the integrity of this quasi-regulatory function in the interest of both consumer protection and export promotion.

The Panel believes the responsibilities of the new U/S for Trade and Market Development should also include: (1) leadership on strategic planning and budgeting related to enabling intradepartmental coordination related to managing trade issues, in particular SPS issues and other non-tariff barriers; and (2) managing the implementation of restructuring. The latter is a temporary responsibility that would end with the successful completion of restructuring (as discussed in section 5.6).

Recommendation: A statement of responsibilities for the new U/S for Trade and Market Development should emphasize ensuring the integrity of the product quality and differentiation function that supports market development. In addition to oversight of direct reports, it should include: (1) a broader responsibility for leading strategic planning and budgeting in support of intradepartmental coordination on trade issues, in particular SPS issues and other non-tariff barriers; and (2) a near-term responsibility for managing the implementation of restructuring.

5.2.2 Responsibilities of U/S for Health and Safety

Responsibilities of the new U/S for Health and Safety would include the combined responsibilities for overseeing FSIS and APHIS, which currently reside with the U/S for Food Safety and the U/S for Marketing and Regulatory Programs. To this, the Panel would add responsibility for enabling appropriate coordination between FSIS and APHIS and between these regulatory agencies and the functions under the new U/S for trade and market development.

Recommendation: Responsibilities of the new U/S for Health and Safety should include responsibility for enabling appropriate coordination between FSIS and APHIS and between these regulatory agencies and the functions under the new U/S for trade and market development.

5.3 Qualifications for New U/S Positions

The Panel believes that special consideration should be given to the qualifications for the U/S positions responsible for the trade and health and safety portfolios given that they will be the primary focus of enhancing interagency coordination. The Panel sees no reason for changes in the traditional qualifications related to overseeing domestic farm programs.

5.3.1 Qualifications for U/S for Trade and Market Development

The proposed U/S position will help institutionalize a focus on trade by design. However, success will also depend on getting the right person for the job. Toward this end, we discuss major qualifications for the position.

In addition to experience in managing trade issues, the Panel believes that candidates must have demonstrated abilities related to successful coordination of diverse stakeholders within and outside of USDA. According to the Panel's research and experience, interpersonal skills have become central to success across government as the complexity of issues requires building and managing networks of relationships. Moreover, strategic planning is increasingly recognized as critical to success as coordination depends on investment over time.

Recommendation: Qualifications for the new U/S for trade should include:

- Senior-level experience in developing and implementing U.S. international agricultural trade policy and programs
- Understanding of issues that affect agricultural trade, especially non-tariff barriers, such as sanitary and phytosanitary (SPS) measures
- Demonstrated skill in facilitation and brokering among agencies and external stakeholders with different perspectives and interests
- Proven track record in leading change and long-term strategic planning

5.3.2 Qualifications for U/S for Health and Safety

The preferred Panel reorganization option would also create a new Health and Safety U/S portfolio including both FSIS and APHIS. The qualifications for this position should include those specified in the law creating the current U/S for Food Safety as part of the broader reorganization of USDA in 1994.¹⁰⁵ This legislation states that the U/S for Food Safety shall

¹⁰⁵ Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Public Law 103-354, 108 Stat. 3178 (1994).

be appointed “from among individuals with specialized training or significant experience in food safety or public health programs.”

The qualifications for the new Health and Safety U/S position should also include a familiarity with animal and plant health issues and the linkages between animal and plant health and food safety issues, such as zoonotic diseases. These linkages are expected to become more important in the future.

Finally, the Panel believes that the last two suggested qualifications for the new U/S for trade apply equally to a new Health and Safety U/S:

- Demonstrated skill in facilitation and brokering among agencies and external stakeholders with different perspectives and interests
- Proven track record in leading change and long-term strategic planning

Recommendation: Qualifications for the new U/S for Health and Safety should include:

- Specialized training or significant experience in food safety or public health programs
- Familiarity with animal and plant health issues and the linkages between animal and plant health and food safety issues
- Demonstrated skill in facilitation and brokering among agencies and external stakeholders with different perspectives and interests
- Proven track record in leading change and long-term strategic planning

5.4 Existing Non-Structural Coordination Mechanisms

There is a large literature on interagency coordination, but no generally accepted definition of it. The Panel defines coordination simply as actions taken to enable the alignment of activities as needed to achieve common goals.

There are two general approaches to aligning activities to achieve common goals that may guide reorganization. One approach is the use of direct authority. This approach entails bringing the activities to be aligned under a single chain of command. This approach is reflected in the reorganization option preferred by industry proponents (Option 2). The Panel rejects this approach given the importance of maintaining the actual and perceived independence of health and safety regulatory activities.

The other approach depends on indirect means—e.g., persuasion, negotiation—to enable the alignment of activities. The Panel believes the indirect approach is appropriate to addressing the challenge of interagency coordination at USDA where trade promotion and health and safety regulatory functions are involved.

As discussed in Chapter 4, interagency coordination in this indirect sense can be enhanced by structural means—grouping agencies with similar missions in such a way as to simplify

coordination. This logic was applied in options where health and safety regulatory functions were grouped under one U/S position to facilitate coordination between these regulatory functions and trade promotion, while keeping them under different chains of command.

In this section, we address non-structural coordination mechanisms. We begin by discussing five factors contributing to successful interagency coordination suggested by a review of the literature.¹⁰⁶

5.4.1 Agreement on Clear Goals for Coordination

Clear goals for interagency coordination are especially important in the case of managing trade issues at USDA where the agencies involved have very different missions. As discussed in earlier chapters, opportunities for interagency coordination on trade issues at USDA are highly constrained by regulatory standards and processes. Moreover, there is justifiable concern that the integrity of the regulatory missions—food safety and animal and plant health—not be compromised in the pursuit of trade promotion priorities. This concern is shared not only by health and safety advocates but by advocates of trade as well, who believe that U.S. exports benefit from the government’s reputation for rigorous regulatory processes, which is part of the America’s “brand” abroad.

In the Panel’s view, the legitimate goal of interagency coordination in this context is to align agency activities to enable trade promotion priorities while not compromising the integrity of regulatory standards and processes. Toward this end, department policy should clearly define how decisions about prioritization and trade-offs should be made and the processes and criteria governing how agencies should work together under different situations. The organizational structure recommended in Chapter 4 is intended to facilitate making such a policy.

Recommendation: The Secretary of Agriculture should work with subcabinet officials to develop clear policies to enable trade promotion priorities while not compromising the integrity of regulatory standards and processes. This policy should clearly define how decisions about prioritization and trade-offs should be made and the processes and criteria governing how agencies should work together under different situations.

5.4.2 Formal Processes and Procedures

While USDA officials believe that interagency coordination on trade issues is healthy, they note that this coordination in some cases depends heavily on informal mechanisms and the relationships of certain individuals. They acknowledge that the continuity of interagency

¹⁰⁶ These success factors are derived primarily from Kirk Emerson, Tina Nabatchi, and Stephen Balogh, “An Integrative Framework for Collaborative Governance,” *Journal of Public Administration Research and Theory*, 22: 1-29, 2011. See also Jane Fountain, *Implementing Cross-Agency Collaboration: A Guide for Federal Managers*, Collaboration Across Boundaries Series, IBM Center for the Business of Government, 2013.

coordination is vulnerable to changes in leadership and the retirement of senior career officials.

In addition to helping ensure continuity, formal processes and procedures can increase the efficiency and flexibility of interagency coordination at USDA. By explicitly defining the scope of coordination and decision rules, decision making can be facilitated and conflict reduced. Also, clarity about scope and decision rules tends to make participants more, not less, willing to exercise discretion. The Panel believes these aspects of formal processes and procedures will become even more important as the complexity and volume of interactions involved in managing trade issues likely increases.

Recommendation: USDA should take steps as soon as possible to formalize existing coordination mechanisms to help mitigate the disruption from leadership turnover during the coming transition in administrations, as well as to enable more efficient and flexible coordination in the future. Steps should include:

- Identifying key coordination processes that are not formalized
- Establishing charters for coordinating bodies that specify such things as the purpose of the body, who should participate, the rules governing decision making and dispute resolution, and frequency of meetings
- In the case of operational and communication processes, establishing written protocols

Relatedly, any reorganization has the potential to disrupt cross-agency linkages and service relationships with customers. Careful attention should be given to identifying possible disruptions and preserving interagency linkages and customer service channels during the process of implementation planning.

Recommendation: USDA should identify key interagency linkages and customer service channels that may be disrupted by restructuring and provide for preserving or re-establishing them under the new structure.

More specifically, there are many points in the process of responding to SPS issues and other non-tariff barriers that require coordination among USDA agencies and between USDA and USTR. These include:

- Managing information about SPS issues and other non-tariff barriers coming into different parts of USDA at headquarters and in foreign posts
- Determining the appropriate response
- Prioritizing trade issues for action
- Prioritizing risk assessments and equivalency audits
- Determining when technical negotiations have run their course and the issue should be addressed through trade negotiations
- Determining when it is appropriate to elevate an issue to WTO for dispute resolution

The Panel has not identified specific deficiencies in coordination in any of these areas. However, it believes that USDA should undertake systematic review of the coordination processes in these areas for three reasons. First, as SPS issues and non-tariff barriers multiply, coordination will only become more demanding. Every opportunity should be taken to streamline processes and make them more robust to mitigate future coordination challenges. Second, frustrations expressed by external stakeholders suggest a lack of transparency, if not deficiencies in coordination. Also, some USDA officials have acknowledged that while there has been substantial improvement in coordination in recent years, it is often poorly communicated to external stakeholders. A lack of transparency invites claims of poor coordination and bolsters efforts to influence priorities outside normal channels, which make efficient allocation of effort across trade issues difficult. Third, to the extent USDA is able to clearly communicate the processes and criteria by which decisions are made, priorities are set, progress is measured against those priorities, and resources are devoted across them, it will be better positioned to defend its priorities and focus its efforts and limited resources.

Recommendation: USDA should undertake a systematic review of the interagency processes involved in responding to SPS issues and other non-tariff barriers to identify opportunities to improve and enhance coordination, increase transparency where appropriate, and enable greater control over priority setting.

5.4.3 Relationships of Trust

Formal processes and procedures cannot fully encompass all circumstances, especially as complexity increases. They must be complemented by relationships of trust among agency personnel. The willingness and ability of participants to compromise and exercise discretion under uncertainty depends on their belief that others are seeking mutually beneficial outcomes and addressing issues in good faith. Relationships of trust are also important to facilitate the open communication needed to understand and resolve complex issues that touch on different kinds of expertise.

Relationships of trust, themselves, depend importantly on the individuals who participate in interagency coordination. Participants must be able to build and maintain effective working relationships over time.

The strategic use of interagency personnel details¹⁰⁷ can play an important role in developing a cadre of personnel with the skills and relationships that enable effective and efficient interagency coordination. Interagency details occur at USDA now, but are not undertaken as part of a strategy to build relationships supporting coordination on SPS issues. While the Panel recognizes that the use of interagency personnel details may be

¹⁰⁷ A detail is the temporary assignment of an employee from the employee's regular position without formal transfer or change in employment or pay status.

limited by the very different types of work done by FAS and the regulatory agencies, it believes that opportunities for productive details should be investigated.

Recommendation: USDA should examine opportunities for the strategic use of interagency personnel details and incorporate details into career development to help build relationships of mutual understanding and trust that facilitate coordination.

5.4.4 Leadership

In the absence of direct authority, leadership skills such as articulating a vision, persuasion, building consensus, and brokering compromises are critical. However, leadership in this context also depends significantly on participants' ability to deliver cooperation and support from their home organizations, which, in turn, depends on the formal authority to make decisions on behalf of their organizations. This authority may come either from their position or a delegation of authority from superiors, although position-based authority is potentially more efficient insofar as decisions can be made with less need for consultation. In short, agency participation in a coordinating body should be at a level appropriate to the decisions to be made.

In an effort to strengthen oversight and coordination of USDA's diverse international activities, then-Secretary Venneman established the Intra-Departmental Coordinating Committee on International Affairs (ICCIA) in 2004. The Department Regulation establishing the ICCIA requires quarterly meetings to include participation by agency administrators or their designees. It stipulates that the Foreign Agricultural Service (FAS) is to act as the lead coordinator of this committee and as an interagency coordinator on foreign agricultural policies in general. Deliberations of the body are reported and any disputes elevated to the subcabinet level for resolution.¹⁰⁸

External stakeholders and USDA officials indicate that the ICCIA has played a very limited coordination role in recent years, serving largely as a vehicle for sharing information. Interviewees suggest that the ICCIA's limited coordination role reflects factors such as the diversity of programs and activities represented and a lack of clear focus.

Industry proponents have argued that the ICCIA can and should play a stronger, more focused role in interagency coordination on trade issues. To strengthen the ICCIA, they propose elevating participation to include subcabinet level officials as well as agency administrators and designating the new trade-focused U/S as the chair.

The proposal was made by proponents as a complement to restructuring that would have brought all or part of APHIS and FSIS under a new U/S for Trade with the aim of using direct authority to facilitate interagency coordination. However, the Panel believes strengthening the ICCIA is even more important in the absence of direct authority to

¹⁰⁸ See USDA Departmental Regulation 1051-002.

coordinate under the Panel's preferred option, which keeps FAS and APHIS and FSIS under separate U/S positions.

Recommendation: The Secretary of Agriculture should act to strengthen coordination by modifying the Intra-departmental Coordinating Committee on International Activities in two ways: (1) elevating participation to include subcabinet officials as well as agency administrators; and (2) establishing the new trade-focused U/S as chair.

Industry proponents have also argued that the modified ICCIA process be used as a vehicle for interagency strategic planning and budgeting. The Panel believes this proposal has merit, but believes strategic planning and budgeting efforts should be focused on identifying the key capabilities—people, processes, and tools—across agencies needed to effectively pursue trade priorities. For instance, what investments need to be made over time in such things as capacity building within those countries and staff capacity for risk assessments and equivalency audits—to enable successfully opening markets of developing countries offering the greatest future trade opportunities.

Meetings of the full ICCIA are not well suited to this activity, given the limited linkages to many of the U/S portfolios. However, a subcommittee of the ICCIA with membership at the administrator level drawn from those agencies with the pertinent responsibilities and authorities—e.g., FAS, APHIS, FSIS, AMS, GIPSA—might make sense. Such a group would benefit from a direct connection to subcabinet level to help lend support and help resolve disputes.

FAS would lead the effort. However, in keeping with the imperative to maintain the independence of health and safety regulatory agencies, a charter would need to be developed that clearly specified the legitimate bounds of coordination and rules for decision making and dispute resolution.

Recommendation: The charter of a modified ICCIA should explicitly provide for supporting an interagency strategic planning and budgeting process focused on identifying and building capabilities—people, processes, and tools—across agencies needed to effectively pursue trade priorities.

5.4.5 Accountability Mechanisms

In keeping with the guidance of the Government Performance and Results Act (GPRA), federal agencies contributing to similar results should collaborate to ensure that goals are consistent, to the extent appropriate. Federal agencies can use their strategic and annual performance plans to drive collaboration with other agencies and establish complementary strategies for achieving results. Accountability for collaboration is reinforced through public reporting of results.

In the Panel's view, USDA and agency strategic goals should include or explicitly support enhancing and institutionalizing interagency coordination on SPS issues and other non-tariff barriers. The strategic plan should articulate how the enhancement and

institutionalization of interagency coordination will be supported by related investments in people, processes, and technology.

Currently, the management of SPS issues and other non-tariff barriers is addressed in the FAS and APHIS strategic plans, but only APHIS explicitly addresses interagency coordination in resolving SPS issues and then only narrowly with regard to the presence of genetically engineered materials. Also, these plans do not articulate how individual agency efforts fit together. Moreover, the USDA strategic plan does not directly address the issue of coordinating on SPS issues and other non-tariff barriers. It only addresses the issue indirectly and narrowly in terms of enabling U.S. industry to exploit innovations in Genetically Modified Organism technology to ensure global food security.

Recommendation: In its next strategic plan, USDA should clearly address goals for enhancing interagency coordination on SPS issues and other non-tariff barriers and outline actions to be taken. Individual agency strategic plans linked to the USDA strategic plan and the linkages between individual agency efforts should be clearly articulated.

5.5 Success Factors in Managing Organizational Change

Organizational change is complex and demanding. Many efforts fall short and often result in significant disruption for lack of adequate planning and execution. In addition to the active support of top leadership, the Panel identifies two factors it believes are most important to successfully implementing organizational change.¹⁰⁹ These factors are discussed with a particular focus on the demands of undertaking a reorganization of trade-related functions and enhancing interagency coordination at USDA.

5.5.1 A Clear Vision and Implementation Plan for Achieving This Vision

Top leadership should develop a clear vision of how the organization will do its work differently in the future and why. Successful reorganization depends to a large degree on buy-in by the larger organization. An important element in winning this acceptance, if not active support, is a compelling case for change—i.e., why is change needed and what benefits will it bring.

It should articulate the overarching objectives that the reorganization seeks to achieve. In the case of reorganizing USDA, the Panel believes these objectives include:

- Institutionalizing a focus on trade and market development, while mindful of other important international missions and activities
- Preserving the independence of health and safety regulatory processes, while enhancing interagency coordination to resolve trade issues

¹⁰⁹ This discussion of success factors draws in part on a review of leading practice presented in GAO Report to Congressional Subcommittees, *Results Oriented Cultures: Implementing Steps to Assist Mergers and Organizational Transformations*, GAO-03-669, July 2003.

- Preserving and enhancing the focus on domestic programs and activities

An implementation plan should set out specific operational goals to guide implementation. It should clearly define individual roles and responsibilities for implementation to ensure accountability. Finally, it should establish public deadlines for accomplishing implementation goals to support external accountability and create pressure for completion.

The legislation directing this study sets a deadline of one year from report release to implement a reorganization plan. Adherence to this deadline would entail undertaking the reorganization in the year prior to a transition in presidential administrations. At this time, the leadership needed to implement the reorganization would be in the process of leaving, incumbent U/Ss whose portfolios are impacted may still be in place, and it would be impossible to fill the newly created Senate-confirmed U/S positions.

While implementation of restructuring should be postponed until a new administration takes office in the beginning of 2017, planning for the restructuring should begin as soon as possible. The Department Regulation governing the implementation of reorganizations,¹¹⁰ as well as legislative requirements,¹¹¹ indicate a lengthy and involved process that should be begun to enable a smooth and timely reorganization effort during the early months of the next administration.

Recommendation: Congress should consider postponing implementation of the restructuring until after the next president takes office. However, Congress should direct USDA to begin planning for the reorganization now to enable a smooth and timely reorganization effort during the early months of the next administration.

An implementation plan should also include a clear funding strategy. Such a strategy should:

- Articulate the need for additional funding to support implementation
- Identify key actions needed to implement reorganization, including restructuring and enhancing complementary coordination mechanisms

¹¹⁰ See USDA Departmental Regulation 1010-001, July 20, 2006.

¹¹¹ For example, two separate 30-day notices to Congress are required. The “General Provision” section 719 of the FY 2015 Appropriations Act effectively prohibits the transfer or reprogramming of funds to carry out certain activities — including to “reorganize offices, programs, or activities” — unless the Secretary provides 30-day advance written notice to the Appropriations Committees of the Senate and House (§ 719(a)(5)). A similar 30-day notice requirement applies to “realigning or reorganizing new, current, or vacant positions or agency activities or functions to establish a center, office, branch, or similar entity with five or more personnel” (§ 719(d)(2)).

- Estimate the cost of undertaking activities and when the cost will likely be incurred¹¹²

Recommendation: Congress should require USDA to begin developing a funding strategy as part of its planning for implementing the reorganization.

5.5.2 An Integrated Communication Strategy

Any agency's communication planning should address three broad groups of stakeholders: (1) agency employees and managers; (2) customers of agency services; and (3) Congress and other external oversight bodies.

1. A communication plan for agency employees and managers needs to articulate how reorganization will affect their day-to-day work and career opportunities. Also, this plan should provide for mechanisms to obtain feedback from managers and rank-and-file workers. These groups can make significant contributions to both the process and substance of transformation if effectively engaged.
2. In the case of agency customers, each affected agency needs to communicate how the reorganization affects services available and the costs of securing these services in the case of fee-based services.
3. In the case of external oversight entities, each affected agency needs to communicate a clear pathway to completing the reorganization, priorities and contingency plans to maintain the confidence and support of the OMB and Congress and thereby help ensure adequate funding as needed to achieve the goals of the reorganization.

At the departmental level, USDA's communication strategy must also include outreach to a broader group of external stakeholders, including the consumer rights/food safety community and farm groups affected by the separation of USDA's domestic and international portfolios. There are good reasons for external stakeholders to support these portfolio changes. However, conflict may arise if the rationale and implementation plans for these changes are not clearly communicated and long-standing sensitivities addressed early on.

Recommendation: USDA should develop an integrated strategy for communicating implementation plans to agency personnel, industry clients, external funding and oversight bodies, and other external stakeholders. Special attention should be given to communicating the rationale and implementation plans for the new health and safety

¹¹² The scope of this project does not include performing an analysis of the costs of implementing the Panel's preferred option, but a cost analysis is an important initial step in planning for the reorganization.

portfolio and trade portfolio. Proactive outreach to affected stakeholder groups will be essential to address concerns and help build support for portfolio changes.

5.6 Authority to Undertake Restructuring

As discussed in Chapter 4, the department interprets Section 3208 the 2014 Farm Bill, in combination with the retained authority from the Reorganization Plan No. 2 of 1953, as providing the Secretary with the necessary authority to undertake the restructuring recommended in this report. However, the department believes that, to provide clarity, Congress should consider specifying this authority by adding to the list of exceptions in section 296(b) of the Reorganization Act of 1994 the authority to reorganize the international trade functions of the department or the authority to establish a U/S for trade.

Recommendation: To provide clarity, Congress should consider specifying this authority of the Secretary to undertake the recommended restructuring by adding to the list of exceptions in section 296(b) the authority to reorganize the international trade functions of the department or the authority to establish a U/S for trade.

5.7 Conclusion

The overall aim of the Panel in this report is to enable consistent, high-level focus and efficient interagency coordination on trade issues, while preserving the independence of health and safety regulatory processes and minimizing disruption to other domestic programs and activities. The structural changes recommended in the Panel's preferred option (discussed in Chapter 4) are important steps toward achieving these aims. However, as discussed in this chapter, successful implementation depends on the following: (1) ensuring a clear division of responsibilities between USDA and USTR; (2) defining the responsibilities of the new U/S positions; (3) defining the qualifications for the new U/S positions; (4) enhancing and institutionalizing mechanisms for interagency coordination on trade issues; and (5) planning and executing change effectively. In addition, we suggest Congress consider specifying in legislation the authority of the Secretary to undertake the recommended restructuring.

The Panel recommends that the reorganization be implemented after the next president takes office, but emphasizes the need to (1) begin planning for the reorganization now to help ensure a smooth and timely implementation early in the next administration; and (2) formalize important interagency coordination mechanisms before the transition to minimize disruption from the change in leadership.

Appendix A: Academy Panel and Study Team

PANEL

Susan Offutt,* Panel Chair: Former Chief Economist, U.S. Government Accountability Office; Administrator, Economic Research Service, U.S. Department of Agriculture; Executive Director, Board on Agriculture, National Academy of Sciences/Nation Research Council; Chief, Agriculture Branch, Office of Management and Budget, Executive Office of the U.S. President; Leader, Technology Research assessment Section, Economic Research Service, U.S. Department of Agriculture; Assistant Professor, Department of Agricultural Economics, University of Illinois, Urbana-Champaign.

Rafael Borrás,* Partner, AT Kearney. Former Under Secretary for Management, Department of Homeland Security; Vice President, URS Corporation; Regional Administrator, Mid-Atlantic Region of the U.S. General Services Administration; Deputy Assistant Secretary for Administration, U.S. Department of Commerce; Deputy City Manager and Commissioner of Human Services of New Rochelle, NY; Deputy City Manager, City of Hartford, CT.

Lawrence (Larry) Cooley,* Founder and President Emeritus, Management Systems International, and formerly Practice Area Leader of MSI's global practice on Public Sector Management. Member of the Editorial Board of *Public Administration Review*; Co-Chair of the National Academy of Public Administration's Standing Panel on International Affairs; former Project Director of Implementing Policy Change Program advising foreign governments on managing policy change; former director of external consulting teams advising on reorganization of the Small Business Administration, the National Wildlife Refuge System, and the US food safety system.

I.M. (Mac) Destler,* Saul I. Stern Professor and Director, Program on International Security and Economic Policy, School of Public Policy, University of Maryland. Former positions with the Peterson Institute for International Economics, the Carnegie Endowment for International Peace, the President's Reorganization Project (OMB), the Brookings Institution, the U.S. Department of Agriculture, and the U.S. Senate. Books include *American Trade Politics* and *Presidents, Bureaucrats, and Foreign Policy: The Politics of Organizational Reform*.

Bob J. Nash,* CEO, Bob J. Nash & Associates. Former Senior Advisor, James Lee Witt Associates; Deputy Campaign Manager, Hillary Clinton Campaign for President; Vice-Chairman, ShoreBank Corporation; Assistant to the President and Director of Presidential Personnel; Under Secretary of Agriculture for Rural Development, U.S. Department of Agriculture; Chair, Rural Telephone Bank Board; Member, Commodity Credit Corporation; President of the Arkansas Development Finance Authority, Arkansas Governor's Cabinet; Lead Senior Staff, National and Regional Organizations, Governor Clinton; Senior Executive Assistant for Economic Development, Governor of Arkansas' Office; Vice-President,

Winthrop Rockefeller Foundation; Administrative Officer, National Training and Development Service (NTDS).

*Academy Fellow**

STUDY TEAM

Joseph P. Mitchell, Ph.D., *Director of Project Development*—leads and manages the Academy’s studies program and serves as a senior advisor to the Academy’s President and CEO. He has served as Project Director for past Academy studies for the Government Printing Office, the U.S. Senate Sergeant at Arms, USAID/Management Systems International, the National Park Service’s Natural Resource Stewardship and Science Directorate, and the USDA Natural Resources Conservation Service. During his more than 10 years at the Academy, Dr. Mitchell has worked with a wide range of federal cabinet departments and agencies to identify changes to improve public policy and program management, as well as to develop practical tools that strengthen organizational performance and assessment capabilities. He holds a Ph.D. From the Virginia Polytechnic Institute and State University, a Master of International Public Policy from The Johns Hopkins University School of Advanced International Studies, a Master of Public Administration from the University of North Carolina at Charlotte, and a B.A. in History from the University of North Carolina at Wilmington.

Roger Kodat, Project Director, National Academy of Public Administration. Mr. Kodat has led eleven projects as a consultant to the Academy, several focusing on long-term strategic visioning and planning. He brings 20 years of commercial and investment banking experience with JPMorganChase, and six years of senior level federal government experience at the Department of the Treasury. He was appointed by President George W. Bush in 2001 to serve as Deputy Assistant Secretary of Treasury, responsible for Federal Financial Policy. Some of his tasks at Treasury included: policy formulation for the 2006 Postal Accountability and Enhancement Act; rule-making and oversight of Federal loan and loan guarantee programs; and managing the Federal Financing Bank (a \$32 billion bank at that time). Mr. Kodat holds a BS in Education from Northwestern University and both an MBA in Finance and MA in Political Science from Indiana University.

Maria Rapuano, *Deputy Project Director*—previously served as a Deputy Project Director for studies of the Department of Justice and Government Printing Office, and as a study team member for reviews of the Department of Homeland Security Science and Technology Directorate, the Defense Civilian Intelligence Personnel System, and the FEMA Flood Mapping Program. Prior to joining the Academy, Ms. Rapuano was a Project Director with the Alliance for Healthy Homes (formerly the Alliance to End Childhood Lead Poisoning) and helped found and direct the organization’s international program. She is a Member of the Board of Directors of the Trust for Lead Poisoning Prevention. She holds a Masters of Arts in International Affairs from The American University and a Bachelor of Arts in Government from the College of William and Mary.

Jonathan Tucker, Senior Research Analyst—joined the Academy staff in 2004. Dr. Tucker has worked with over fifteen different federal agencies on a wide range of projects including general management and IT management assessments, organizational design, and long-term strategic planning. He holds a PhD in Public Policy from George Mason University, an MS in Science and Technology Studies from Rensselaer Polytechnic Institute and a BA in Public Policy from New College of the University of South Florida.

Joe Tasker, Senior Advisor—Joe graduated with a BA in Sociology from the University of Oklahoma and earned a law degree from George Washington University. He spent the first 16 years of his career as a practicing lawyer in both the public and private sectors, litigating antitrust cases for the Federal Trade Commission (6 years) and practicing international trade, intellectual property, and government procurement law for 10 years as an associate and partner in a major DC law firm. In 1990, he opened a Washington government affairs office for a major producer of personal computers. After the company merged with Hewlett Packard in 2000, he became the General Counsel and Senior Vice President of Government Affairs for the Information Technology Association of America (ITAA). After ITAA merged itself out of existence, he has consulted on a number of projects, most recently providing technical trade advice on the expansion of the WTO Information Technology Agreement.

Eric Christensen, Research Associate—Eric graduated from the State University of New York at Albany with a BA in Political Science. During this time period he served as a Campaign Manager in a mayoral election; interned for US Senator Charles Schumer and volunteered on voter outreach for City Councilman Vincent Gentile in Brooklyn. Eric received his MPA from Cornell University, Cornell Institute for Public Affairs. He is a member of Pi Alpha Alpha national honor society for public affairs and administration. Eric served as a consultant on Rural Regeneration in Haiti while at Cornell University. Eric also interned for Public Policy Solutions, Inc., in San Luis Obispo, CA and was a consultant for Tompkins County Government while at Cornell University. He co-authored and co-edited a report on budgetary priority setting, performance measurement, shared services and charter revision for Tompkins County.

Appendix B: Participating Individuals and Organizations

(Titles and positions listed are accurate as of the time of the Academy's initial contact)

The study team met with 145 stakeholders through formal interviews and meetings. The Academy would like to thank these individuals for their contributions.

U.S. Department of Agriculture

Almanza, Alfred—Administrator, Food Safety and Inspection Service

Alonzo, Anne—Administrator, Agricultural Marketing Service

Barnes, Rex—Associate Administrator, Agricultural Marketing Service

Beyerhelm, Chris—Associate Administrator for Operations and Management, Farm Service Agency

Bice, Donald—Associate Director, Office of Budget and Program Analysis

Blakely, Cheryle—Associate Deputy Administrator, Animal and Plant Health Inspection Service, International Business Services

Bohman, Mary—Administrator, Economic Research Service

Borris, Bernadette (Bonnie)—Deputy Administrator, Office of Country and Regional Affairs, Foreign Agricultural Service

Christensen, Cheryl—Branch Chief, Food Security and Development Branch, Economic Research Service

Colby, Hunter—Chief Financial Officer, Office of the Chief Economist

Cordova, Elvis—Deputy Under Secretary, Marketing and Regulatory Programs

Derfler, Philip—Deputy Administrator, Food Safety and Inspection Service

Dick, Jere L.—Associate Administrator, Animal and Plant Health Inspection Service

Doherty, Jane—International Coordination Executive, Food Safety and Inspection Service

Drumm, Sharon—Chief of Staff, Agricultural Research Service

Green, Kim—Director, Office of the Chief Scientist

Gregoire, Michael C.—Associate Administrator, Animal and Plant Health Inspection Service

Hermann, Adam J.—Attorney, General Law and Research Division, Office of the General Counsel

Howard, David—Chief of Staff, Office of the Under Secretary for Marketing and Regulatory Programs

Johansson, Robert—Chief Economist, Office of the Chief Economist

Jones, Randall—Deputy Administrator, Federal Grain Inspection Service

Karsting, Philip C.—Administrator, Foreign Agricultural Service

Keith, Susan--Deputy Administrator, Grain Inspection, Packers and Stockyards Administration

Kelly, J. Michael—Former USDA General Counsel (acting); Former USDA Deputy General Counsel

Macke, Robert—Acting Deputy Administrator, Office of Agreements and Scientific Affairs (OASA), Foreign Agricultural Service

Mahalingappa, Jessica—Assistant Deputy Administrator, Animal and Plant Health Inspection Service International Services Office – Trade Capacity Building

McGirr, Michael—National Program Leader, Center for International Programs, National Institute for Food and Agriculture

McGraw, Lauren—Office of the Chief Scientist

Meyer, Gary—Assistant Deputy Administrator, Office of Agreements and Scientific Affairs, Foreign Agricultural Service

Miller, Mark—Staff Director, National Agricultural Statistics Service

Mitchell, Larry—Administrator, Grain Inspection, Packers and Stockyards Administration

Morris, Erin—Associate Administrator, Agricultural Marketing Service

Nelson, Christopher—Program Analyst, Office of Budget and Program Analysis

Nichols, Eric—Director, Animal and Plant Health Inspection Service, Trade Support Team

Nuzum, Janet—Associate Administrator, Foreign Agricultural Service

Palmieri, Suzanne—Associate Administrator and General Sales Manager, Foreign Agricultural Service

Parham, Gregory L.—Assistant Secretary for Administration

Park, Joon—Deputy Administrator, Agricultural Research Service

Preston, Warren—Deputy Chief Economist, Office of the Chief Economist

Quick, Bryce—Associate Administrator and Chief Operating Officer, Foreign Agricultural Service

Ramaswamy, Sonny—Director, National Institute for Food and Agriculture

Reilly, Joe—Administrator, National Agricultural Statistics Service

Scuse, Michael—Under Secretary, Farm and Foreign Agricultural Services

Shaqir, Ibrahim—Director, Office of International Research Programs, Agricultural Research Service

Shea, Kevin—Administrator, Animal and Plant Health Inspection Service

Simmons, Beverly—Deputy Administrator, Animal and Plant Health Inspection Service, International Services Office

Summers, Bruce—Deputy Associate Administrator, Agricultural Marketing Service

Sydow, Sharon—Economist, Office of the Chief Economist

Tarr, Adam—Chief of Staff, Office of Food Safety

Taylor, Alexis—Deputy Under Secretary, Farm and Foreign Agricultural Services

Thieman, Karla—Chief of Staff to the Deputy Secretary of USDA

Thomas, Benjamin—Chief of Staff, Office of the Under Secretary for Farm and Foreign Agricultural Services

Thompson, Damon—Director of Communications, Under Secretary for Research, Education, and Economics

Yezak, Jennifer—Chief of Staff, Office of the Assistant Secretary for Administration

Young, L. Benjamin (Benny) Jr.—Associate General Counsel, General Law and Research Division, Office of the General Counsel

Wilcox, Caren—Special Assistant, Under Secretary for Research, Education, and Economics

Woteki, Catherine—Under Secretary for Research, Education, and Economics

Department of Agriculture Labor Union and Management Representatives

Baumann, Melissa—Secretary-Treasurer, Forest Service Council, National Federation of Federal Employees IAMAW

Kettner, Chris—Co-Chair, USDA Labor-Management Forum

Lentz, Andrew—Vice President, AFSCME Local 3976

Mergen, David J.—Vice President, American Foreign Service Association/Foreign Agricultural Service

Oberti, Teresa—Treasurer, AFSCME Local 3976

Petry, Mark—Vice President, American Foreign Service Association/Foreign Agricultural Service

Other Federal Agencies

Klaus, David—Deputy Under Secretary for Management and Performance, Department of Energy

External Stakeholders

Anderson, Robert—Senior Trade Advisor, Organic Trade Association

Acord, Bobby—Owner, Acord Consulting, LLC; Former APHIS Administrator, USDA (2001-2004)

Beachy, Ben—Research Director, Public Citizen's Global Trade Watch

Blumenthal, Gary—President and Chief Executive Officer World Perspectives, Inc.; Former Special Assistant to the President for Agricultural Trade and Food Assistance (1991-1993); Former USDA positions including Chief of Staff and Executive Assistant to the Secretary (1989-1990)

Bowen, Nathan—Director of Public Policy, National Association of State Departments of Agriculture

Bullard, Bill—Chief Executive Officer, Ranchers-Cattlemen Action League Fund (R-CALF)

Carpenter, Barry—President and Chief Executive Officer, North American Meat Institute; Former positions with USDA Agricultural Marketing Service

Clayton, Kenneth C.—Former Administrator, Agricultural Marketing Service, USDA

Conner, Charles F.—Chief Executive Officer, National Council of Farmer Cooperatives; Former Deputy Secretary of Agriculture, USDA (2005-2009)

Corbo, Tony—Senior Lobbyist for the food campaign, Food and Water Watch

Delgado, Martin—Principal, S-3 Group; Former Clerk and Staff Director, U.S. House of Representatives Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies; Former Senior Budget Analyst, Animal and Plant Health Inspection Service, USDA

DeWaal-Smith, Caroline—Director, Food Safety Program, Center for Science in the Public Interest

Dorr, Thomas—President, Thomas C. Dorr and Associates; Former Under Secretary for Rural Development, USDA (2002-2008)

Drazek, Paul—Partner, DTB Associates; Former Special Assistant to the Secretary of Agriculture for International Affairs, USDA

Espy, Mike—Former Secretary, USDA (1993-1994)

Fountain, Jane—Distinguished Professor, Political Science and Public Policy, University of Massachusetts, Amherst

Glauber, Joseph—Senior Research Fellow, International Food Policy Research Institute; Former Chief Economist, USDA (2008-2014)

Glickman, Dan—Former Secretary, USDA (1995-2001)

Goule, Chandler—Senior Vice President of Programs, National Farmers Union

Johanns, Michael—Former U.S. Senator (R-Nebraska); Former Secretary, USDA (2005-2007)

Johnson, Roger—President, National Farmers Union

Keys, Chandler—Principal, Keys Group

Knight, Bruce—Principal and Founder, Strategic Conservation Solutions, LLC; Former Under Secretary for Marketing and Regulatory Programs, USDA (2006-2009)

Kriz-Wickham, Bobbie—Assistant Director, Nebraska Department of Agriculture

Lutter, Randall—Senior Lecturer in Public Policy, University of Virginia; Former Deputy Commissioner for Policy, Food and Drug Administration

Moore, Dale—Executive Director, Public Policy, National Farm Bureau; Former Chief of Staff, USDA (2001-2009)

Nuxoll, Dennis—Vice President, Federal Government Affairs, Western Growers Association

O'Mara, Joseph—Principal, O'Mara and Associates; Former Chief Negotiator, USDA

Patterson, Barbara—Government Relations Representative, National Farmers Union

Penn, J.B.—Chief Economist, John Deere and Company; Former Under Secretary for Farm and Foreign Agricultural Services, USDA (2001-2006)

Plunkett, David—Senior Staff Attorney, Food Safety, Center for Science in the Public Interest

Russell, Randy M.—Partner, Russell Group; Former positions with USDA include Chief of Staff and Deputy Assistant Secretary for Economics (1984-1986)

Shearer, P. Scott—Principal, Bockorny Group; Former Deputy Assistant Secretary for Congressional Affairs, USDA (1993-1996)

Sleight, Thomas—President and Chief Executive Officer, United States Grains Council

Steele, W. Scott—Consultant, SS Analysis; Former Director, Office of Budget and Program Analysis, USDA

Suppan, Steve—Senior Policy Analyst, Institute for Agriculture and Trade Policy

Thorn, Craig—Partner, DTB Associates; Former Director, Europe, Africa and Middle East Division, FAS, USDA

Waldrop, Chris—Director of the Food Policy Institute, Consumer Federation of America

Yeutter, Clayton—Former Secretary, USDA (1989-1991)

Office of Management and Budget

Leetmaa, Susan—Program Examiner

Lucas, Adrienne—Agriculture Branch Chief

Rudas, Jackie—Program Examiner

United States Agency for International Development

Bertram, Robert—Chief Scientist, Bureau for Food Security

Esposito, Dina—Director, Office of Food for Peace

Greene, Richard S.—Senior Deputy Assistant Administrator, Bureau for Food Safety

United States Agricultural Export Development Council

Adams, Julie—Vice President, Almond Board of California

Burdett, Amy—Marketing Operations Director, U.S. Potato Board

Davis, Jill—Manager, Strategic Planning and Evaluation, Cotton USA

Day, Susan—Vice President, International Marketing, California Table Grape Commission

Flynn, Deirdre—Executive Director, U.S. Popcorn Board

Grunenfelder, Stephanie—Vice President, International Marketing, American Peanut Council

Hamilton, Tim—Executive Director, Food Export Association of the Midwest USA

Hanes, Gregory—Assistant Vice President, International Marketing and Programs, U.S. Meat Export Federation

Langley, Reece—Vice President, Washington Operations, Cotton Council International

Marez, Monique—Associate Director, International Trade, Organic Trade Association

Panek, Monica—Manager, International Programs, Wine Institute

Sothmann, Stephen—President, U.S. Hide, Skin, and Leather Association

Spence, Susan—Vice President, Uncork New York!

Sumner, James H.—President, USA Poultry and Egg Export Council

Timpko, Charles—Senior Vice President, Operations and Evaluation, U.S. Dairy Export Council

Toaspern, John—Chief Marketing Officer, U.S. Potato Board; USAEDC Chair

Tumbarello, Gina—Director of International Policy and Trade, American Feed Industry Association

Westman, William—Senior Vice President, International Affairs, North American Meat Institute

United States Food and Drug Administration

Sklamberg, Howard—Deputy Commissioner, Global Regulatory Operations and Policy

United States House of Representatives

Baker, Andrew—Democratic Party Chief Counsel, House Committee on Agriculture

Cooper, Andrew—Staff Assistant (Majority Staff), House Committee on Appropriations, Subcommittee on Agriculture, Rural Development, FDA, and Related Issues

Crosswhite, Caleb—Legislative Assistant, House Committee on Agriculture

Fischer, Bart—Chief Economist, House Committee on Agriculture

Honore, Brandon—Legislative Assistant, Congresswoman Rosa DeLauro

Horton, Kelly—Legislative Assistant, Congresswoman Rosa DeLauro

O'Brien, Thomas—Clerk (Majority Staff), House Committee on Appropriations, Subcommittee on Agriculture, Rural Development, FDA, and Related Issues

Bina, Elizabeth (Betsy)—Staff Assistant (Majority Staff), House Committee on Appropriations, Subcommittee on Agriculture, Rural Development, FDA, and Related Issues

United States Senate

Brady, Janae—Senior Professional Staff, Senate Agriculture, Nutrition, and Forestry Committee

Colvin, Grant—Policy Analyst, Senate Agriculture, Nutrition, and Forestry Committee

Cordone, Jonathan—Chief Counsel, Senate Agriculture, Nutrition, and Forestry Committee

Goldsher, Eve—Professional Staff, Senate Committee on Appropriations, Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies

Murray, DaNita—Professional Staff, Senate Agriculture, Nutrition, and Forestry Committee

Nellor, Dianne—Professional Staff (Minority Staff), Senate Committee on Appropriations, Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies

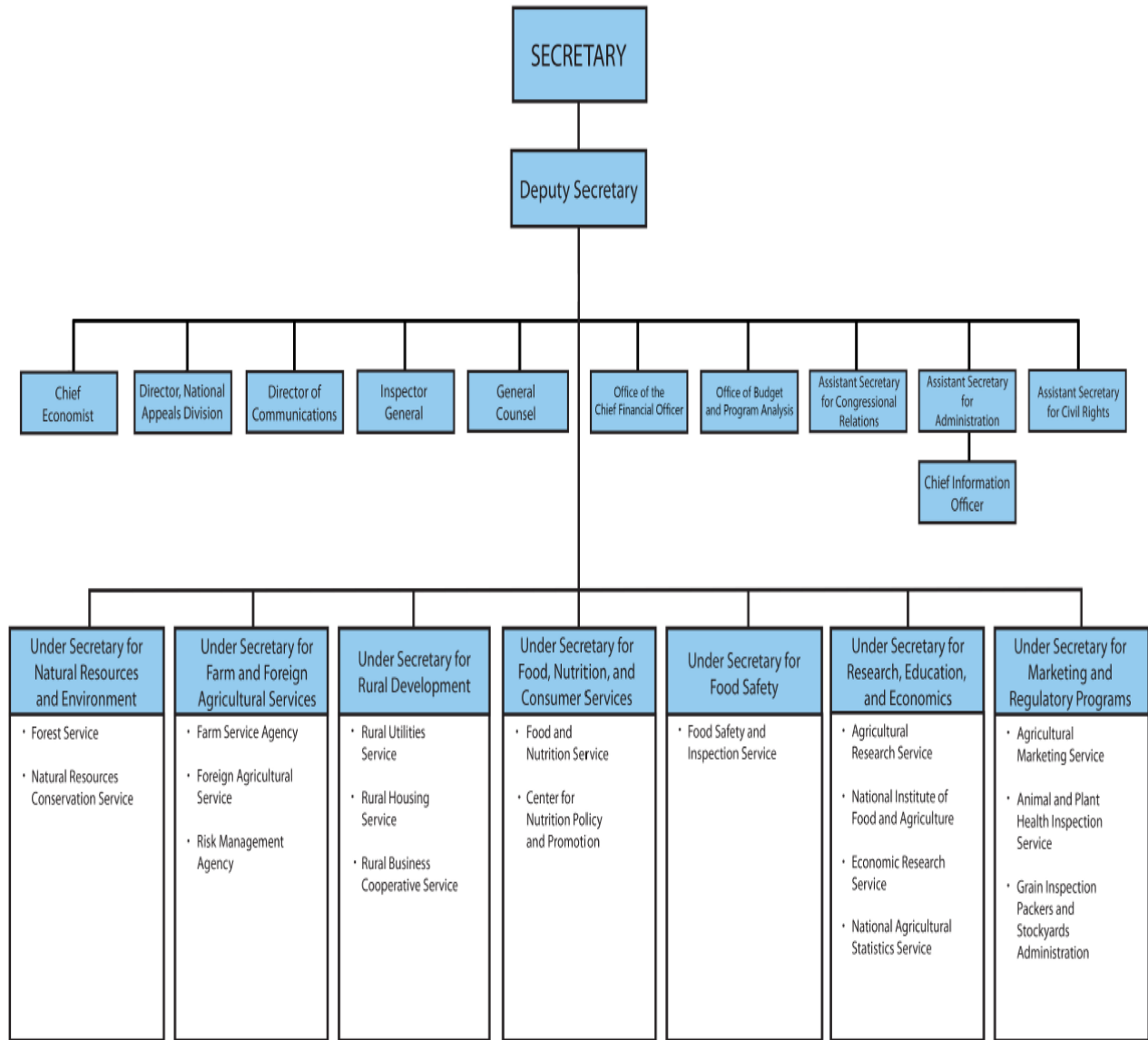
Pollard, Nicole—USDA Detailee, Senate Committee on Appropriations, Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies

Shulken, Jessica—Clerk (Minority Staff), Senate Committee on Appropriations, Subcommittee on Agriculture, Rural Development, FDA, and Related Agencies

United States Trade Representative

Vetter, Darci—Ambassador, Chief Agricultural Negotiator, United States Trade Representative

Appendix C: USDA Organizational Chart



Appendix D: Coordination Mechanisms

This appendix provides the following information on trade-related coordination at USDA: (1) a summary of Department Regulations that formally define the roles and responsibilities of FAS regarding intra-departmental coordination on international activities; and (2) a list of trade-related coordinating bodies, in which FAS participates.

Departmental Regulations

USDA has departmental regulations (DRs) that define coordinating roles and responsibilities of FAS within the department.

Departmental Regulation 1051-001

The subject of DR 1051-001 concerns the “coordination of USDA activities with foreign countries.” The purpose of DR 1051-001 is to “define the role of the Foreign Agricultural Service (FAS) as the department’s lead agency in coordinating all agricultural matters with foreign countries.”

Departmental Regulation 1051-002

The subject of DR 1051-002 concerns the “international activities and agreements of USDA agencies.” DR 1051-002 established the “Intra-Departmental Coordination Committee on International Affairs” and stipulated that the Foreign Agricultural Service (FAS) would act as the lead coordinator of this committee and would act as an interagency coordinator on foreign agricultural policies in general. The committee meets on a quarterly basis. The regulation operationalizes the delegations of authority in 7 Code of Federal Regulations.

Trade-Related Coordinating Bodies

The table below includes information provided by FAS on 42 different trade-related coordinating bodies in which FAS participates. These include both formal and informal groups. In each case, the focus of the coordinating body is identified and some information is provided on other agency participation. The list of coordinating mechanisms is organized into four groups: (1) those including only U.S. Government (USG) agencies; (2) those including industry participation; (3) those including participation by trading partners, which are focused on trade agreements; and (4) other important bodies including trade partner participation.

Coordinating Body	Description of Activity
(1) Internal and USG Only	
USDA Intra-Departmental Coordination Committee on International Affairs (ICC-IA)	FAS leads quarterly meetings to inform all Agency heads regarding current topics in international affairs. Agencies provide input on the agenda. Topics include upcoming Presidential initiatives, major resource issues, or technical issues that have an international impact.
FFAS-MRP-Food Safety Coordination meetings	Meetings at the Deputy Under Secretary level among the 3 principal mission areas dealing with trade issues. Agenda items include responses to Presidential initiatives, specific regional issues, and outstanding regulatory actions. Frequency ranges from monthly to quarterly.
Weekly USDA Sanitary (animal health) & Phytosanitary (plant health) (SPS) Notification Meetings	FAS leads the weekly US Government (USG) review of foreign SPS-related notifications published by trading partners and coordinates the development and submission of U.S. (USDA, other key agencies, U.S. stakeholders) comments regarding those notifications to help prevent trade barriers.
USDA Non-Tariff Barrier (NTB) Quarterly Meetings	Review progress made by USDA in resolving sanitary and phytosanitary non-tariff trade barriers maintained by trading partners and securing access to foreign markets for U.S. agricultural exports
USDA Country Strategies	On an annual basis, USDA develops strategy documents for addressing trade-related issues with all trading partners.
Trade Policy Staff Committee (TPSC) preparatory meetings	The TPSC is composed of 19 Federal agencies and offices, administered and chaired by U.S. Trade Representative (USTR). It develops and coordinates USG positions on international trade and trade-related investment issues. FAS coordinates the official USDA position for these meetings, which are held on an ad-hoc basis.
Agricultural Marketing Service (AMS) Pesticide Data Program (PDP) Coordination	FAS works with AMS on the Pesticide Data Program (PDP) to ensure sampling and testing activities target key pesticides to help to develop residue data supporting U.S. agricultural exports.
USDA Biotechnology Coordination Group (BCG)	FAS participates in the BCG, in which USDA agencies share information and coordinate on biotechnology-related matters.
USDA Council on Sustainable Development	The Council on Sustainable Development is an Office of the Chief Economist (OCE)-led forum for policy and program development, implementation, and evaluation of issues relating to sustainable development, and provides the framework and mechanism needed for integration across mission areas and program activities, such as research, management, technical assistance, education, and grant and loan delivery.
USDA Global Climate Change Task Force (GCTF)	The GCTF, chaired by OCE meets monthly to coordinate and share information among the twenty USDA agencies and offices with a responsibility for climate change. The GCTF helps develop and integrate climate change strategy into research and programs, focusing on impacts, adaptation, mitigation, and decision support.

Interagency Policy Coordination Committees (IPCs)	FAS coordinates USDA representation at U.S. Government IPC meetings. National Security Staff (NSS) chairs the IPC meetings on a breadth of topics that range from country specific issues (such as overall engagement with Russia) to regional issues (such as the African Leaders' Summit), to broad topics (such as food security).
Consultative Committee on Agriculture (CCA)	FAS organizes USDA's participation in this bilateral meeting to discuss agricultural trade and cooperation issues with our foreign counterpart ministries of agriculture. USDA currently has five CCAs with other countries including Mexico, Canada, Brazil, Uruguay, and Argentina. FAS' Office of Country and Regional Affairs manages the process by working closely with representatives from other USDA agencies in the formation of agenda items and briefing papers. APHIS and FSIS regularly attend the CCA meetings.
USDA Country Team Meetings	FAS organizes and leads country teams which include representatives from other USDA agencies. Country Teams address country-specific issues pertaining to agriculture and develop strategic direction for USDA activities in countries. Typically, a country team meeting will include FAS as well as colleagues from USDA agencies, as appropriate. Team meetings are held as frequently as every week depending on the issues being addressed.
CCC Programming	FAS and FSA collaborate closely in the overall management of CCC programs with FSA being responsible for program budgeting, budget formulation and disbursements and FAS being responsible for program development and delivery to stakeholders. The collaboration takes place for the following programs: GSM-102, Trade Assistance Act for Farmers, Pima Cotton and Wool Trust Funds, Foreign Market Development Program, Market Access Program, Quality Samples Program, Emerging Market Program, Technical Assistance for Specialty Crops, P.L. 480 programs, and Food for Progress.
International Trade Data System (ITDS)	FAS staff meets as needed with a group of U.S. trade related agencies led by the Customs and Border Protection (CBP) Agency. The goal is to integrate all import/export licensing systems with CBP's Automated Commercial Environment (ACE) system to ensure compliance with the "single-window" electronic access required by the February 19, 2014 Executive Order, "Streamlining the Export/Import Process for America's Businesses."
Sugar Working Group (SWG)	The SWG meets as needed to discuss issues related to the domestic sugar and TRQ programs. It includes representation from FAS, FSA, and USTR.
(2) Coordination with Industry	
Agricultural Policy Advisory Committee (APAC)	The APAC is comprised of select industry representatives and provides advice to the Department on the administration of U.S. trade policy, including implementation and enforcement of existing U.S. trade agreements and negotiating objectives for new trade agreements.
(3) Agreement and Trade Focused With Trading Partners – Includes Internal Coordination/Preparation	

Organics	FAS coordinates across USDA and with USTR on organic trade, including the identification of markets and prioritizing for organic equivalency arrangements with trading partners, such as Canada and the EU. This includes work with the AMS/National Organic Program on the development of HS codes.
U.S.-Canada Regulatory Cooperation Council	The United States and Canada continue to deepen our regulatory cooperation to enhance economic competitiveness while maintaining high standards when it comes to health, safety, and the environment. FAS supports AMS, APHIS and FSIS initiatives on meat and poultry product export certification, zoning for foreign animal diseases, equivalence of meat safety systems, perimeter approach to plant protection, meat cut nomenclature, and financial risk mitigation for produce sellers.
India Trade Policy Forum	The Forum provides an opportunity to work together to expand trade (including agricultural trade) between the United States and India.
U.S.- China Biotechnology Working Group and Technical Working Group	FAS leads organization of the annual U.S.-China BWG and TWG on biotechnology regulatory matters, in coordination with the USDA Biotech Advisor to the Secretary, APHIS, and other regulatory agencies.
U.S.-China Joint Commission on Commerce and Trade (JCCT)	The U.S.-China is a forum for high-level dialogue on bilateral trade issues (including agricultural trade issues) between the United States and China. FAS coordinates USDA participation in this annual minister-level trade meeting. APHIS and FSIS are the most frequent USDA collaborators in the formation of agenda items for the JCCT.
Codex Alimentarius Commission	Numerous USDA and U.S. Government (USG) planning meetings are held to prepare for and provide guidance to U.S. delegations on trade issues being discussed in the nearly 2 dozen committees of Codex.
World Organization for Animal Health (OIE)	APHIS is the clear lead for OIE, but as one of the three standard setting bodies recognized by the WTO SPS Agreement, we have a strong trade interest. FAS coordinates with APHIS on trade-related priorities including the development or modernizing of standards and relevant outreach to other countries.
International Plant Protection Convention (IPPC)	APHIS is the clear lead for OIE, but as one of the three standard setting bodies recognized by the WTO SPS Agreement, we have a strong trade interest. FAS coordinates with APHIS on trade-related priorities including the development or modernizing of standards and relevant outreach to other countries.
Free Trade Agreements: Negotiations	Numerous USDA and U.S. Government (USG) planning meetings are held in preparation for each round of negotiations other engagement with trading partners. Currently, negotiations are on-going for the Trans Pacific Partnership (currently TPP and TTIP)
Free Trade Agreements: Implementation	Most bilateral and plurilateral FTAs include an implementation committee. FAS coordinates across USDA to implement any actions required by the U.S. side, as well as to ensure that trading partners take action on their obligations.

<p>Free Trade Agreement (FTA): Monitoring</p> <ul style="list-style-type: none"> - North American Free Trade Agreement (NAFTA) - Central America Free Trade Agreement (CAFTA) - Bilateral FTA's (Australia, Korea, Peru, Chile, Morocco, Colombia, Panama, Israel, etc.) 	<p>Most bilateral and plurilateral FTAs include agriculture, SPS, and TBT committees to provide a forum for resolving SPS-related trade restrictions. FAS coordinates USDA input and papers used to support these meetings.</p>
<p>New Technologies Alliances</p>	<p>FAS holds meetings and conference calls to coordinate with USDA and non-USDA agencies toward building international alliances on trade policy issues related to plant and animal technologies. The internal coordination is used in the development of U.S. positions and papers to support engagement at alliances or other international fora. Examples of alliances or international fora where countries act together include, but are not limited to the following:</p> <ul style="list-style-type: none"> - The Like-minded Group - The South American Council - North American Biotechnology Initiative (CAS-NABI) - Global Low Level Presence Initiative (GLI) - The Cartagena Protocol on Biosafety - Asian – Pacific Economic Cooperation (APEC)
<p>World Trade Organization (WTO) SPS Committee Meetings – Includes Preparatory Meetings</p>	<p>Numerous USDA and U.S. Government (USG) planning meetings are held in preparation for WTO SPS Committee Meetings, which are held 3 times per year. FAS organizes and coordinates the agenda and briefing papers.</p>
<p>WTO Committee on Agriculture (COA) Meetings – Includes Preparatory Meetings</p>	<p>Numerous USDA and U.S. Government (USG) planning meetings are held in preparation for each COA. The COA is a WTO forum that enables WTO Members to monitor WTO commitments (non SPS and TBT). Includes developing and submitting formal notifications on market access, domestic support, and export competition.</p>
<p>WTO Committee on Technical Barriers to Trade (TBT) Preparatory Meetings</p>	<p>Numerous USDA and U.S. Government (USG) planning meetings are held in preparation for each TBT meeting. The TBT meeting is held 3 times per year and is a WTO forum that enables WTO Member countries to discuss specific trade concerns pertaining to technical regulations, standards, and conformity assessment procedures to ensure non-discrimination and avoid unnecessary obstacles to trade in accordance with the WTO TBT Agreement. Members also exchange experiences during Committee meetings in order to strengthen implementation of the TBT Agreement.</p>
<p>Other WTO Committees and Working Groups</p>	<p>FAS coordinates USDA input related to other WTO Committees including: Import Licensing, Safeguards, Subsidies, Customs Valuation, State Trading Enterprises, Trade and Environment.</p>
<p>WTO Trade Policy Review Mechanism</p>	<p>Surveillance of national trade policies is a fundamentally important activity running throughout the work of the WTO. FAS coordinates USDA input into the Trade Policy Review Mechanism</p>

WTO Doha Development Agenda	Numerous USDA and USG planning meetings are held in preparation for WTO agricultural negotiating meetings, such as the Committee on Agriculture Special Sessions, which are held on an ad hoc/as needed basis. FAS provides technical analysis, briefing papers, and talking points used in preparation for various negotiating meetings. The WTO agricultural negotiations are part of the current WTO Doha Development Agenda round of multilateral negotiations. The agricultural negotiations are primarily focused on domestic support, market access, and export competition modalities.
<i>(4) Other Key Fora With Trading Partners – Includes Internal Coordination/Preparation</i>	
Inter-American Institute for Cooperation in Agriculture (IICA)	FAS leads the delegation to the Inter-American Board of Agriculture (IABA), which is the supreme body of the IICA Institute. The IABA is made up of 34 Member States which hold a regular meeting every two years in order to create a competitive, inclusive and sustainable inter-American agriculture that feeds the hemisphere and the world, while at the same time generating opportunities to reduce hunger and poverty.
Commission on Genetic Resources for Food and Agriculture	FAS and the Agricultural Research Service (ARS) coordinate technical and policy positions related to genetic resources at the Commission on Genetic Resources for Food and Agriculture.
Food and Agriculture Organization (FAO) Committee on Agriculture (COAG)	FAS serves as the lead delegate to the FAO COAG coordinating the United States response to trade issues through consultations with USDA experts and the interagency. COAG is one of FAO's Governing Bodies providing overall policy and regulatory guidance on issues relating to agriculture, livestock, food safety, nutrition, rural development and natural resource management.
Food and Agriculture Organization (FAO) Committee on Commodity Problems (CCP)	FAS serves as the lead delegate to the FAO CCP coordinating the United States response to trade issues through consultations with USDA experts and the interagency. CCP is one of FAO's Governing Bodies providing overall policy and regulatory guidance on international commodity problems affecting production, trade, distribution and consumption, and related economic matters under review.
Organization for Economic Cooperation and Development (OECD)	FAS coordinates OECD activities for USDA and provides the lead delegate to the OECD Committee for Agriculture. The OECD promotes openness and transparency in trade, which is a large component in the work of the Committee for Agriculture and the agriculture staff of the OECD Secretariat.
Strategic Agricultural Innovation Dialogue (SAID)	FAS coordinates USDA's participation in this annual vice minister-level meeting with China. SAID's purpose is to remove barriers to the adoption of innovative technologies.
The International Agricultural Trade Research Consortium (IATRC)	The IATRC is a unique international association of agricultural trade researchers and policy practitioners and FAS provides insight on behalf of USDA and is a donor.

Appendix E: Industry Advocate Letters to Congress

June 5, 2012

The Honorable Frank Lucas
Chairman, Committee on Agriculture
United States House of Representatives
Longworth House Office Building, 1301
Washington, DC 20515

The Honorable Collin Peterson
Ranking Member, Committee on Agriculture
United States House of Representatives
Longworth House Office Building, 1305
Washington, DC 20515

Dear Chairman Lucas and Ranking Member Peterson:

International trade is critically important to the economic vitality of the U.S. agriculture and food industry and a major engine of U.S. economic growth. Trade currently accounts for more than 25 percent of U.S. farm receipts, and the production from one out of every three acres planted is exported. Our vast and efficient export system, including handling, processing and distribution of our food and agricultural products, creates millions of U.S. jobs and helps feed hundreds of millions all over the globe. Our \$37 billion net trade balance in agriculture and food products in 2011 represented the single largest contribution to our balance of payments.

Despite this enormous success, the trade organizational structure at USDA has remained unchanged since it was last reorganized in 1978. Over this period, the value and nature of U.S. agriculture exports has changed dramatically. In 1978, U.S. agriculture exports totaled \$29 billion whereas in 2011 they reached \$136 billion. In 1978, grains and oilseeds amounted to 60 percent of all U.S. agriculture exports while meat and poultry accounted for 3 percent and produce 6 percent. Now grains and oilseeds account for 36 percent of all agriculture exports while meat and poultry constitute 15 percent and produce 13 percent. Meanwhile, over the last 30 years the challenges that U.S. agriculture faces in global markets have increased and markedly changed from primarily tariff barriers to phytosanitary and other non-tariff trade barriers.

The U.S. agriculture and food industry is ideally positioned to experience significant growth in the decades ahead given projected population growth of an additional 2.5 billion people by 2050. Yet with these opportunities will also come significant challenges to keep existing foreign markets open and gain access to new emerging markets for U.S. farm and food products. It is precisely for this reason that we, the undersigned organizations – representing farmers, ranchers, food processors and exporters – support reorganizing the trade-related agencies, programs and activities at the U.S. Department of Agriculture.

An Under Secretary for Trade and Foreign Agricultural Affairs will provide a singular focus on trade and foster more effective coordination of transparent, rules-based trade policies in other USDA agencies. Such a position will bring unified high level representation to key trade negotiations with senior, foreign officials and within the Executive Branch. It will also allow future Administrations to recruit an Under Secretary who has extensive experience in international trade negotiation and policy issues. Furthermore, the creation of this Under Secretary position would help streamline management, create greater efficiencies and enhance emphasis in the Office of the Under Secretary responsible for key domestic programs.

We believe it is vitally important for U.S. agriculture to fully capitalize on the long-term, increased global demand for farm and food products in an increasingly competitive marketplace. Overseas markets represent 73 percent of the world's purchasing power, 87 percent of the economic growth, and 95 percent of the world's customers. We can take a major step towards that goal by ensuring that the trade structure at USDA is effectively positioned to address the trade challenges and enormous opportunities that await us in the decades ahead.

Sincerely,

American Farm Bureau Federation

National Oilseed Processors Association

American Feed Industry Association

National Pork Producers Council

American Frozen Food Institute

National Potato Council

American Meat Institute

National Renderers Association

American Soybean Association

National Turkey Federation

Animal Health Institute

North American Meat Processors Association

Corn Refiners Association

U.S. Apple Association

International Dairy Foods Association

U.S. Meat Export Federation

National Cattlemen's Beef Association

U.S. Wheat Associates

National Chicken Council

USA Poultry & Egg Export Council

National Corn Growers Association

USA Rice Federation

National Council of Farmer Cooperatives

Western Growers Association

National Meat Association

May 6, 2013

The Honorable Frank Lucas
Chairman, Committee on Agriculture
United States House of Representatives
Longworth House Office Building, 1301
Washington, DC 20515

The Honorable Collin Peterson
Ranking Member, Committee on Agriculture
United States House of Representatives
Longworth House Office Building, 1305
Washington, DC 20515

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Sincerely,

American Farm Bureau Federation	National Pork Producers Council
American Feed Industry Association	National Potato Council
American Frozen Food Institute	National Renderers Association
American Meat Institute	National Sunflower Association
American Soybean Association	National Turkey Federation
Animal Health Institute	North American Meat Processors Association
Corn Refiners Association	United Fresh Produce Association
International Dairy Foods Association	U.S. Apple Association
National Barley Growers Association	U.S. Canola Association
National Cattlemen's Beef Association	U.S. Cattlemen's Association
National Chicken Council	U.S. Meat Export Federation
National Corn Growers Association	U.S. Wheat Associates
National Council of Farmer Cooperatives	USA Dry Pea & Lentil Council
National Meat Association	USA Poultry & Egg Export Council
National Oilseed Processors Association	USA Rice Federation
	Western Growers Association

Appendix F: USDA Budget and Staffing Budget and Personnel Overview¹¹³

U/S for Natural Resources and Environment

- | | | |
|--|-----------------|---------------------|
| • Forest Service | Budget: \$5,497 | Staff Years: 32,254 |
| • Natural Resources Conservation Service | Budget: \$4,272 | Staff Years: 10,482 |

Total Budget: \$9,769

Total Staff: 42,736

U/S for Farm and Foreign Agricultural Service

- | | | |
|--------------------------------|------------------|--------------------|
| • Farm Service Agency | Budget: \$12,649 | Staff Years: 3,987 |
| • Foreign Agricultural Service | Budget: \$2,021 | Staff Years: 926 |
| • Risk Management Agency | Budget: \$8,824 | Staff Years: 429 |

Total Budget: \$23,494

Total Staff: 5,342

U/S for Rural Development

- | | | |
|--------------------------------------|-----------------|------------------|
| • Rural Utilities Service | Budget: \$685 | Staff Years: N/A |
| • Rural Housing Service | Budget: \$1,694 | Staff Years: N/A |
| • Rural Business Cooperative Service | Budget: \$379 | Staff Years: N/A |

Total Budget: \$2,758

Total Staff: 4,606¹¹⁴

U/S for Food, Nutrition, and Consumer Services

- | | | |
|---|-------------|------------------|
| • Food and Nutrition Service | Budget: N/A | Staff Years: N/A |
| • Center for Nutrition Policy and Promotion | Budget: N/A | Staff Years: N/A |

Total Budget: \$114,597¹¹⁵

Total Staff: 1,325¹¹⁶

¹¹³ All USDA agency budget and personnel figures were gathered from USDA's FY 2016 Budget Summary and Annual Performance Plan: <http://www.obpa.usda.gov/budsum/fy16budsum.pdf>. All budget figures are listed in millions of dollars. All personnel figures are listed in "staff years." One Staff Year equates to one Full-time Employee (FTE). Budget Authority and Staffing figures are based on FY 2014 Enacted totals in light of the fact that USDA termed their figures for FY 2015 and FY 2016 "Estimates."

¹¹⁴ Staffing Years were not provided for the specific agencies within the U/S for Rural Development. Staffing was only provided as an aggregate figure for this particular U/S.

¹¹⁵ Budget figures were not provided for the specific agencies within the U/S for Food, Nutrition, and Consumer Services. Budget figures were only provided as an aggregate figure for this particular U/S.

¹¹⁶ Staffing Years were not provided for the specific agencies within the U/S for Food, Nutrition, and Consumer Services. Staffing was only provided as an aggregate figure for this particular U/S.

U/S for Food Safety

- Food Safety and Inspection Service¹¹⁷ Budget: \$1,024 Staff Years: 9,036

Total Budget: \$1,024

Total Staff: 9,036

U/S for Research, Education, and Economics

- Agricultural Research Service Budget: \$1,150 Staff Years: 6,893
- National Institute of Food and Agriculture Budget: \$1,456 Staff Years: 380
- Economic Research Service Budget: \$78 Staff Years: 341
- National Agricultural Statistics Service Budget: \$161 Staff Years: 999

Total Budget: \$2,845

Total Staff: 8,613

U/S for Marketing and Regulatory Programs

- Agricultural Marketing Service Budget: \$1,146 Staff Years: 2,538
- Animal and Plant Health Inspection Service Budget: \$1,158 Staff Years: 7,111
- Grain Inspect., Packers, and Stock. Admin. Budget: \$40 Staff Years: 644

Total Budget: \$2,344

Total Staff: 10,293

¹¹⁷ The U.S. Codex Alimentarius Office is located within the Food Safety and Inspection agency. The Codex Office budget is \$3,722 (in dollars) and includes 8 total Staff Years, compared to an overall agency budget of \$1,024 (in *millions* of dollars) and a total staff of 9,036.

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**National Academy of
Public Administration®**

1600 K Street, N.W.
Suite 400
Washington, D.C. 20006
Phone: (202) 347-3190
Fax: (202) 393-0993
Website: www.napawash.org