



Report to Congress

Report on the Proposed 2017 Reorganization of the Department of Agriculture to Establish an Under Secretary for Trade and Foreign Agricultural Affairs



U.S. Department of Agriculture

May 11, 2017

Updated Appendices
June 16, 2017

Executive Summary

This report identifies actions we are taking at the Department of Agriculture (USDA) to meet the challenge of advancing agricultural trade, improving service delivery to agricultural producers, and addressing the needs of Rural America. These steps are part of a broader on-going review of the Department based on the President's March 13, 2017; Executive Order 13781 entitled "Comprehensive Plan for Reorganizing the Executive Branch."

These steps are the down payment on improving the efficiency, effectiveness and accountability of the Department. Over the next several months we will be working with Congress, our stakeholders and our employees to listen to ideas about how to make the Department even more responsive to the needs of our customers.

Section 3208 of the Agricultural Act of 2014, Pub. L. 113-70 (7 USC §6935) requires the Secretary of Agriculture ("Secretary") to propose a reorganization of international trade functions for imports and exports, including a plan for the establishment of the Under Secretary for Trade and Foreign Agricultural Affairs (U/Sec TFAA). The Secretary is required to submit to the Congressional committees specified in Section 3208 (a) a report that includes the results of this proposal and provides a notice of the reorganization plan.

Specifically, Congress required the USDA to do the following as described in the 2014 Farm Bill:

SEC. 3208. 7 USC 6935 UNDER SECRETARY OF AGRICULTURE FOR TRADE AND FOREIGN AGRICULTURAL AFFAIRS

(a) Definition of Agriculture Committees and Subcommittees.--In this section, the term "agriculture committees and subcommittees" means--

- (1) the Committee on Agriculture of the House of Representatives;
- (2) the Committee on Agriculture, Nutrition, and Forestry of the Senate; and
- (3) the subcommittees on agriculture, rural development, food and drug administration, and related agencies of the Committees on Appropriations of the House of Representatives and the Senate.

(b) Proposal.--

(1) In general.--The Secretary, in consultation with the agriculture committees and subcommittees, shall propose a reorganization of international trade functions for imports and exports of the Department of Agriculture.

(2) Considerations.--In producing the proposal under this section, the Secretary shall--

- (A) in recognition of the importance of agricultural exports to the farm economy and the economy as a whole, include a plan for the establishment of an Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs;
- (B) take into consideration how the Under Secretary described in subparagraph (A) would serve as a multiagency coordinator of sanitary and phytosanitary issues and nontariff trade barriers in agriculture with respect to imports and exports of agricultural products; and
- (C) take into consideration all implications of a reorganization described in paragraph (1) on domestic programs and operations of the Department of Agriculture.

(3) Report.--Not later than 180 days after the date of enactment of this Act and before the reorganization described in paragraph (1) can take effect, the Secretary shall submit to the agriculture committees and subcommittees a report that--

(A) includes the results of the proposal under this section; and

(B) provides a notice of the reorganization plan.

(4) Implementation.--Not later than 1 year after the date of the submission of the report under paragraph (3), the Secretary shall 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.

(c) Confirmation Required.--The position of Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs established under subsection (b)(2)(A) shall be appointed by the President, by and with the advice and consent of the Senate.

This report presents the Secretary's proposal to reorganize USDA's international trade functions and includes a plan for the establishment of the U/Sec TFAA. This report provides notice of the reorganization plan and how it will be implemented once consultations with the committees are completed. This reorganization will improve the efficiency by which USDA helps connect growing U.S. production with growing global demand by establishing an Under Secretary with the sole responsibility for coordinating USDA's agricultural trade policy.

This plan also details additional reorganizations that improve the effectiveness of USDA efforts to meet the needs of agricultural and forest managers and demonstrate increased accountability to the American taxpayer. USDA intends to create an Under Secretary for Farm Production and Conservation and realign the Farm Service Agency (FSA), the Risk Management Agency, and the Natural Resources Conservation Service (NRCS) under that mission area. In addition, USDA intends to realign the Rural Development agencies to report directly to the Secretary.

- The growth in U.S. agricultural productivity has been unparalleled over the past 100 years. This reorganization will help improve the effectiveness of USDA to provide the customer service needed and expected by U.S. farmers. Allowing for an Under Secretary for Farm Production and Conservation to oversee farm services, crop insurance, and conservation programs will ensure that farmers' interactions with USDA are not duplicative. That focus will also streamline our data systems for farm program implementation.
- By combining farm conservation programs with farm safety net programs, the Under Secretary for Natural Resources and Environment will be able to focus more attention on the crucial task of managing our national forests and to ensure federal land managers are good and helpful neighbors to surrounding private land owners.
- Lastly, this reorganization recognizes and promotes the importance of rural development by placing it under the direct oversight of the Secretary. Placing rural development under the direct supervision of the Secretary will ensure the Secretary is also able to leverage USDA's expertise with rural communities and new Administrative initiatives to focus on infrastructure investments in rural America.

We know that ultimately taxpayers are our consumers. They expect a safe and secure food supply, and USDA will continue to serve in a critical role to ensure the food we put on the table

to feed our families meets the strict safety standards to which we've established and are accustomed. Other proposals at reorganizing the Department around the trade mission would have combined food safety with other mission areas, potentially distracting USDA from its critical role in ensuring a safe and secure food supply. The creation of the U/Sec TFAA and the designation of this position as the lead USDA trade policy coordinator significantly strengthens USDA's ability to address SPS and nontariff barriers affecting U.S. exports, while ensuring domestic stakeholders and trading partners continue to view USDA regulatory functions as objective and science-based.

Report on the Proposed 2017 Reorganization of the Department of Agriculture to establish an Under Secretary for Trade and Foreign Agricultural Affairs

Agricultural trade is critical for the vitality of the U.S. farm sector and economy as a whole. U.S. agricultural and food exports account for 20 percent of the value of production, and every dollar of these exports creates another \$1.27 in business activity. Every \$1 billion in U.S. agricultural exports requires approximately 8,000 American jobs throughout the economy. Agriculture has run a positive trade balance since the 1960s and exports have nearly tripled since 2000. However, the rise of new barriers to trade and preferential trade agreements that exclude the United States could jeopardize growth and negatively affect the U.S. farm economy.

Therefore, the U.S. Department of Agriculture (USDA) must be positioned to effectively address trade barriers that impede or disadvantage U.S. agricultural exports and actively open new markets for U.S. farm products. The proposed reorganization of USDA's trade functions will substantially enhance the Department's ability to quickly respond to sanitary and phytosanitary (SPS) and other nontariff trade barriers when they arise and to actively open new markets to create a level playing field for U.S. farmers and ranchers.

In recognition of the importance of agricultural exports to the farm economy and the U.S. economy as a whole, the proposed reorganization of USDA's international trade functions will:

- 1) Create the position of an Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs ("U/Sec TFAA")
- 2) Designate the U/Sec TFAA as USDA's multiagency coordinator for agricultural trade policy, including SPS issues, nontariff trade barriers, and other trade policy matters.

The Foreign Agricultural Service (FAS) will report to the U/Sec TFAA. The Secretary will delegate to the U/Sec TFAA the authority for the international trade functions specified in 7 CFR Part 2, Subpart C, §2.16(a)(3).

The creation of the U/Sec TFAA and the designation of this position as the lead USDA trade policy coordinator significantly strengthens USDA's ability to address SPS and nontariff barriers affecting U.S. exports. As the USDA multiagency coordinator for agricultural trade policy, the U/Sec TFAA will chair an inter-agency committee that includes FAS, the Animal Plant Health Inspection Service (APHIS), the Food Safety Inspection Service (FSIS), the Agricultural Marketing Service (AMS), and the Federal Grain Inspection Service (FGIS). The U/Sec TFAA will also meet regularly with the Under Secretary for Food Safety and the Under Secretary for Marketing and Regulatory Programs regarding trade issues that require regulatory involvement and support.

In addition, the change from the status quo would lead to many other possible factors that would be expected to increase exports. For example, the more focused trade mission area could support more trade missions, provide greater support for the Office of the U.S. Trade Representative

(USTR)-led trade negotiations, or respond more quickly when trade flows are interrupted by concerns over product certification or safety.

In addition, in order to create a customer-focused culture of public service and improve service delivery to agricultural producers the Department will create an Under Secretary for Farm Production and Conservation (U/Sec FPC). This structure will streamline program delivery to U.S. farmers and ranchers and enhance resource efficiency. To the extent to which domestic programs directly relate to import programs, the U/Sec TFAA will consult with the U/Sec FPC to ensure program and policy coherence. Rural Development agencies will report directly to the Secretary.

The current USDA organization chart and the proposed reorganization are in Appendix A of this report. Data on FY 2016 actual staff years and 2016 enacted budget authority for the affected agencies and mission areas is in Appendix B of this report. Appendix C includes a letter to President Trump, dated February 22, 2017, from 29 U.S. farm groups in support of the creation of the Under Secretary for Trade.

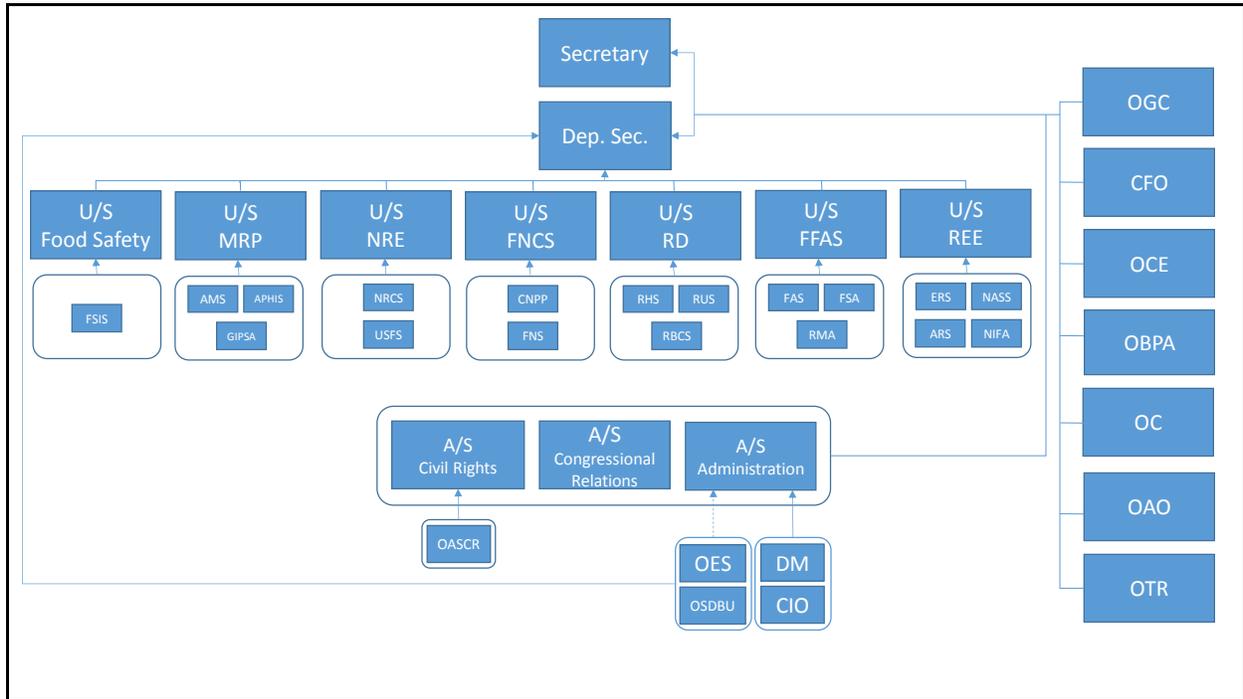
This report officially serves as notice of the reorganization of trade and international functions at USDA as described in the previous section. The reorganization plan is as follows:

- The Secretary will consult with the Congressional committees and subcommittees as defined in subsection (a) of 7 U.S.C. §6935.
- Using the Secretary's authority in the Reorganization Plan No. 2 of 1953 (5 U.S.C. § app; 7 U.S.C. 2201 note), the Secretary will:
 - Issue a memorandum implementing the Under Secretary for Trade and Foreign Agricultural Affairs position and associated organizational changes with delegated authorities and name changes.
 - Publish final delegations in the Code of Federal Regulations.
- The position of Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs established under subsection (b)(2)(A) shall be appointed by the President, by and with the advice and consent of the Senate.

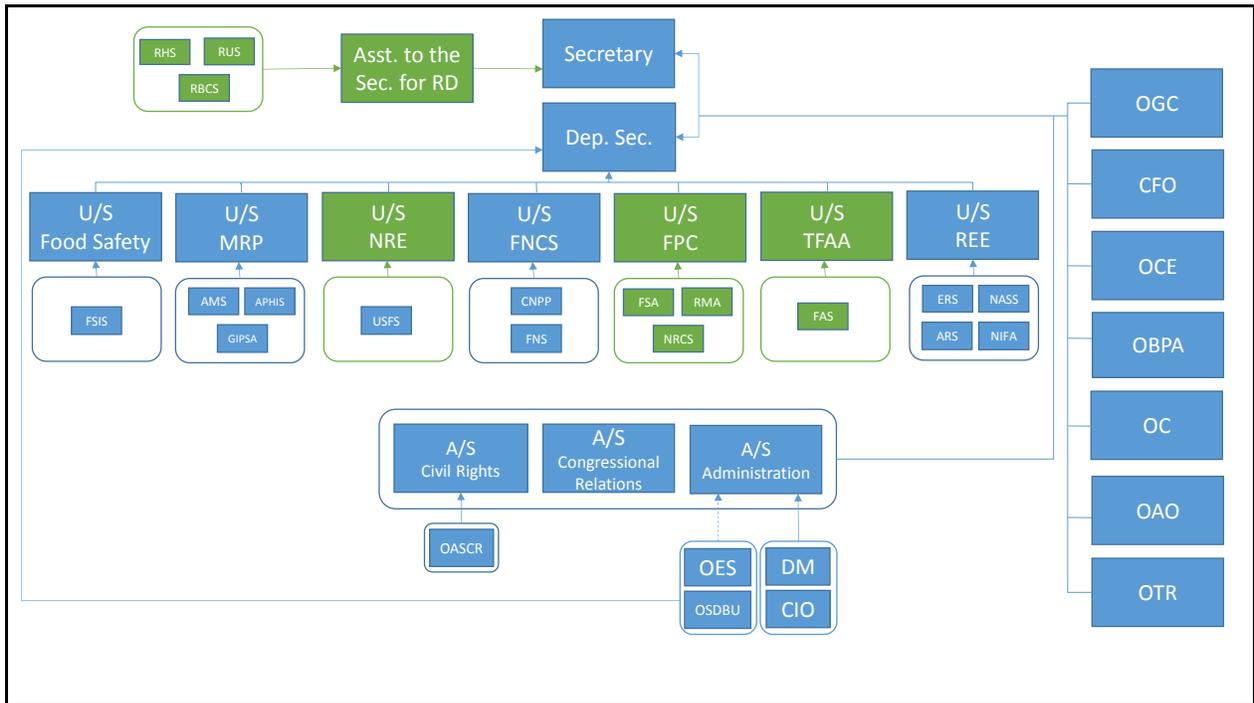
The Secretary and USDA staff will continue to work closely with the Committees and subcommittees to ensure an orderly and expeditious implementation of the reorganization plan.

Appendix A

Current USDA Organization



Proposed Reorganization of USDA Trade Functions and the Creation of an Under Secretary for Trade and Foreign Agricultural Affairs (TFAA) and Elevation of Rural Development



Updated June 16, 2017

Acronyms

| | |
|-------|---|
| AMS | Agricultural Marketing Service |
| APHIS | Animal and Plant Health Inspection Service |
| ARS | Agricultural Research Service |
| CFO | Chief Financial Officer |
| CIO | Chief Information Officer |
| CNPP | Center for Nutritional Policy and Promotion |
| DM | Departmental Management |
| ERS | Economic Research Service |
| FAS | Foreign Agricultural Service |
| FFAS | Farm and Foreign Agricultural Services |
| FNCS | Food, Nutrition and Consumer Services |
| FNS | Food and Nutrition Service |
| FPC | Farm Production and Conservation |
| FSA | Farm Service Agency |
| FSIS | Food Safety and Inspection Service |
| GIPSA | Grain Inspection, Packers and Stockyards Administration |
| MRP | Marketing and Regulatory Programs |
| NASS | National Agricultural Statistics Service |
| NIFA | National Institute of Food and Agriculture |
| NRCS | Natural Resources Conservation Service |
| NRE | Natural Resources and Environment |
| OAo | Office of Advocacy and Outreach |
| OBPA | Office of Budget and Program Analysis |
| OC | Office of Communications |
| OCE | Office of the Chief Economist |
| OASCR | Office of the Assistant Secretary for Civil Rights |
| OES | Office of the Executive Secretary |
| OGC | Office of the General Counsel |
| OSDBU | Office of Small and Disadvantaged Business Utilization |
| OSEC | Office of the Secretary |
| OTR | Office of Tribal Relations |
| RBCS | Rural Business Cooperative Service |
| RD | Rural Development |
| REE | Research, Education and Economics |
| RHS | Rural Housing Service |
| RMA | Risk Management Agency |
| RUS | Rural Utilities Service |
| TFAA | Trade and Foreign Agricultural Affairs |
| USFS | United States Forest Service |

Appendix B: Estimated Staff Years and Budget Authority

Current Organization

| | 2016 | 2016 |
|---|-------------|-------------------|
| Mission Area/Agencies | Staff Years | Enacted \$mil. |
| | | |
| Farm and Foreign Agricultural Services | | |
| Farm Service Agency (Federal and non-Federal) | 12,191 | 29,703 |
| Risk Management Agency | 429 | 4,943 |
| Foreign Agricultural Service | 926 | 2,250 |
| TOTAL FFAS | 13,546 | 36,896 |
| | | |
| Rural Development | | |
| Rural Development | 4,847 | 3,078 |
| | | |
| Natural Resources and Environment | | |
| Natural Resources Conservation Service | 10,018 | 4,125 |
| Forest Service | 32,012 | 7,031 |
| TOTAL NRE | 42,130 | 11,156 |

Proposed Reorganization

| | 2016 | 2016 Enacted |
|--|--------------------|---------------------|
| Mission Area/Agencies | Staff Years | \$mil. |
| | | |
| Trade and Foreign Agricultural Services | | |
| Foreign Agricultural Service | 926 | 2,250 |
| | | |
| Farm Production and Conservation | | |
| Farm Service Agency (Federal and non-Federal) | 12,191 | 29,703 |
| Risk Management Agency | 429 | 4,943 |
| Natural Resources Conservation Service | 10,018 | 4,125 |
| TOTAL | 22,638 | 38,771 |
| | | |
| Natural Resources and Environment | | |
| Forest Service | 32,012 | 7,031 |
| | | |
| Office of the Secretary | | |
| Rural Development | 4,847 | 3,078 |

Appendix C: Letter to President Trump to Support the Establishment of the Under Secretary for Trade

February 22, 2017

Dear Mr. President,

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 agriculture products, creates millions of U.S. jobs and helps feed hundreds of millions all over the globe. Our \$17 billion net trade balance in agriculture and food products in 2016 represented the single largest contribution to our balance of payments.

Despite this enormous success, the trade organizational structure at the U.S. Department of Agriculture (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 2016, they reached \$130 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 nearly 40 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 changes 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 the provision contained in the 2014 Farm Bill requiring the Secretary to establish an Under Secretary for Trade and Foreign Agricultural Affairs. 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 the Administration 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 modernize USDA's trade structure, 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. To this end, we strongly urge the Department to move forward with establishing the Under Secretary for Trade and Foreign Agricultural Affairs.

Sincerely,

American Farm Bureau Federation
American Feed Industry Association
American Frozen Food Institute
American Soybean Association
Animal Health Institute
Corn Refiners Association
International Dairy Food Association
National Barley Growers Association
National Cattlemen's Beef Association
National Chicken Council
National Corn Growers Association
National Council of Farmer Cooperatives
National Oilseed Processors Association
National Pork Producers Council
National Potato Council

National Renderers Association
National Sunflower Association
National Turkey Federation
North American Meat Institute
United Fresh Produce Association
U.S. Apple Association
U.S. Canola Association
U.S. Cattlemen's Association
U.S. Dry Bean Council
U.S. Meat Export Federation
USA Dry Pea & Lentil Council
USA Poultry & Egg Export Council
USA Rice
Western Growers Association