

# USDA, AMS, Livestock, Poultry, & Seed Program Quality Assessment Division Fiscal Year 2015 Summary

## FINANCIAL OVERVIEW

QAD recovers expenses related to providing grading and auditing activities through voluntary user fees charged to meat, poultry, and shell egg industries.<sup>1</sup> During FY 2015, poultry and egg grading expenses totaled \$45.6 million; meat grading totaled \$22.0 million; auditing totaled \$2.5 million. In that same fiscal year, poultry and egg grading generated \$43.8 million in revenue; meat grading generated \$20.0 million; auditing generated \$2.6 million. (Figure 1)

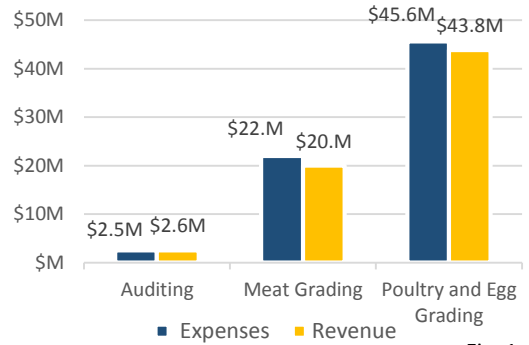


Fig. 1

Even though QAD has contained costs for providing these services through efforts like administrative reorganization, reduced office and lease costs, and cross-utilization of employees where practical, expenses are beginning to outpace revenue collections. Our fees charged have not been adjusted since 2006 and 2009, for meat and poultry respectively. Margins for the close of FY 2015 are narrow or negative (Figure 2).

QAD began FY 2016 with a reserve amount of \$9.5 million in the Poultry Grading trust<sup>2</sup> account, \$3.0 million in the Meat Grading trust account, and \$5.5 million in the Auditing trust account. Trust fund accounts are required to have a reserve balance necessary to cover shutdown expenses should the voluntary service cease. Normally, this amount is equal to roughly 4 months of operating cost. (Figure 3)

2015	Poultry and Egg Grading	Meat Grading	Auditing
Expenses	\$45,607,072	\$21,968,015	\$2,514,105
Revenue	\$43,812,754	\$19,994,466	\$2,550,745
Total	(\$1,794,318)	(\$1,973,548)	\$36,640

Fig. 2

	Poultry and Egg Grading	Meat Grading	Auditing
2016 Beginning Reserve Balance	\$9,507,000	\$3,027,000	\$5,451,000
Months of Operating Reserve Available	2.5	1.7	20.1

Fig. 3

In November 2014, AMS published a final rule<sup>3</sup> changing the way it adjusts fee rates for user-fee services. Instead of soliciting notice and comment each time any unit of the Agency needed to adjust a *specific* rate, AMS published the formula used to develop these rates in the Code of Federal Regulations. To complement this formula which is now imbedded in our regulations detailing how we provide meat, poultry, and shell egg grading and auditing services, AMS will publish an annual public Notice listing the specific fees charged. AMS is currently reviewing financial data in preparation for the next Fee Notice with FY 2017 rates (charged beginning October 1, 2016). Target publication for this Notice is Spring 2016.

<sup>1</sup> The Agricultural Marketing Act of 1946, which provides AMS with authority to conduct such services, dictates that "collection of fees will be reasonable and as nearly as may be to cover the cost of the service rendered."

<sup>2</sup> Fees collected are kept in what is referred to as a "trust account" which is kept entirely separate from other funding sources in AMS (e.g., annual appropriations from Congress). Trust accounts are required by USDA policy to keep an adequate operating reserve.

<sup>3</sup> Federal Register Notice (79 FR 67313) published November 13, 2014

## PROGRAM HIGHLIGHTS

### Meat Grading

During FY 2015, QAD announced several changes to procedures for beef grading and are appreciative of customers' cooperation during the process. Currently, we are monitoring quality overrides in camera plants to determine the percentage of carcasses affected by the change from 100 degrees to 40 degrees of difference required for grader override. That data will be available in April 2016. We also recently published a summary of meats graded last fiscal year on our [website](#).

### Poultry & Shell Egg Grading

QAD worked to meet service requirements last year while remaining vigilant with regard to enhanced biosecurity protocols following the outbreak of Highly Pathogenic Avian Influenza. Staffing shell egg operations was a challenge at times; we even adopted alternative procedures for grading stationary lots and for conducting routine Shell Egg Surveillance inspections. From the period July through December 2015, QAD issued 2,500 permits to import shell eggs destined for U.S. processors.

Commodity	Quantity Graded
Beef	18.4 billion pounds
Lamb	86.6 million pounds
Veal/Calf	3.6 million pounds
Chicken	6.3 billion pounds
Turkey	1.5 billion pounds
Duck/Geese	22.4 million pounds
Rabbit	348,000 pounds
Shell Eggs	3.1 billion dozens

### Audit & Verification

Last year saw a number of improvements to the longstanding USDA Process Verified Program (PVP). AMS announced changes in December 2015 that built on our strong tradition by providing the public with even greater transparency and confidence in the "USDA Process Verified" shield. Key changes include moving to a single management structure, improving procedures, and revising the audit frequency. To learn more about the announcement of a strengthened PVP, visit our website at <http://processverified.usda.gov>. QAD also began verifying process points related to non-GMO/GE and saw a significant increase in activities related to antibiotic use.



### FEEDBACK

In February 2016, we are conducting a short customer service survey. If you receive the survey, please take a moment to provide feedback. Results from the survey will help us provide service that is relevant and responsive. To be assured you receive the survey, email [Michelle.Degenhart@ams.usda.gov](mailto:Michelle.Degenhart@ams.usda.gov).

AMS launched a new website last year featuring traditional information related to our programs (e.g., the USDA standards, program announcements) as well as new material such as blogs, infographics, and more. If you don't find what you need at <http://www.ams.usda.gov/>, please contact us.

Jennifer Porter, Director

E-mail: [Jennifer.Porter@ams.usda.gov](mailto:Jennifer.Porter@ams.usda.gov); Phone (202) 690-3147