

Quality Assessment Division Financial Report, June 2014

QAD recovers its grading and auditing activities through user-fees designed to recover the costs of providing service. 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". Given that, it is our obligation by law to provide these services in as cost effective a manner as possible. Fees collected are kept in what is referred to as a "trust account".

It is important to note that QAD is also required to maintain an appropriate operating reserve of approximately 4 months, equal to the amount necessary to conduct a program shutdown. QAD began Fiscal Year 2014 with a reserve amount of **\$13.7 million in the Poultry Grading Trust** account and **\$12.1 million in the Grading and Verification Trust** account.

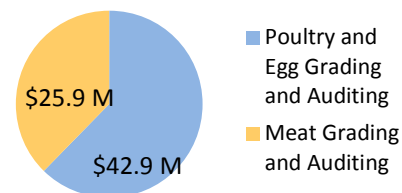


Fig. 1, FY 2013 Revenue

For the last full fiscal year (2013), **poultry and egg grading and auditing generated \$42.9 million; meat grading and auditing generated \$25.9 million.** (Fig. 1) Expenses for these accounts are shown in Figure 2.

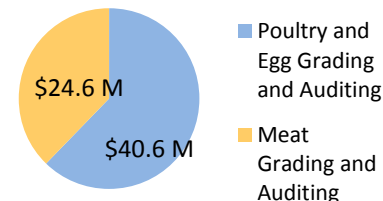


Fig. 2, FY 2013 Expenses

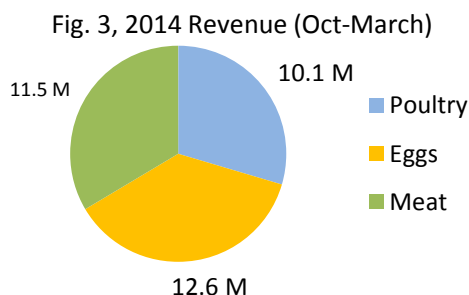
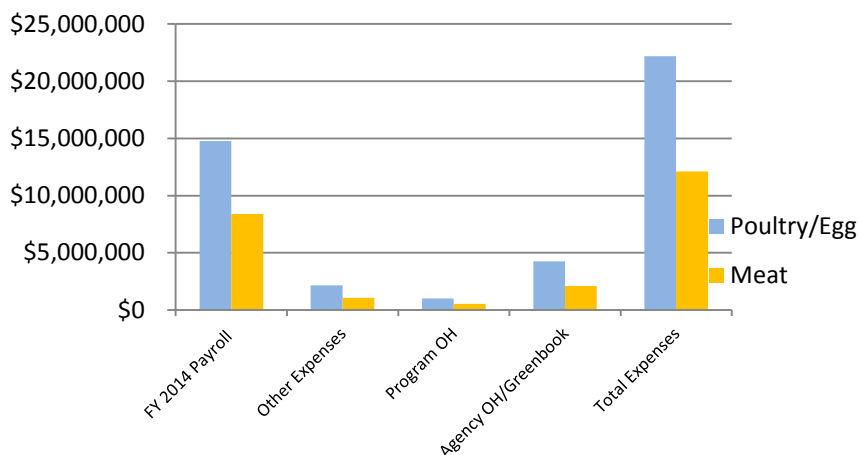


Fig. 3, 2014 Revenue (Oct-March)

One of the primary benefits of the 2012 merger of the former Livestock and Seed Program with Poultry Programs was the potential for efficiencies and savings from merging the grading activities. QAD has since closed two offices (Lakewood, CO and Fredericksburg, VA) to better utilize existing space and significantly

reduced administrative and management staff. These measures alone will save QAD customers an estimated annual \$1,085,000.



To date in FY 2014 (October through March), QAD has generated \$34.2 million in fees from meat, poultry, and egg grading services (Fig. 3). A breakdown of expenses is shown at left. Currently, QAD overhead is distributed 65% poultry/egg trust and 35% meat trust in accordance with revenues collected.