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Statement of
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Comptroller General of the United States
before the
Subcommittee on Agriculture, Rural Development,
and Related Agencies
Senate Committee on Appropriations
on
[General Accounting Office reviews of
42 Department of Agriculture and related
agencies' activities]

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We are here today at your invitation to provide information on the results of some of our reviews during the past year relating to food production and marketing, food assistance, farm and rural credit, farmland, and certain administrative matters. I will simply try to highlight the major issues involved. The appendix to my statement provides additional information for the record.

FOOD PRODUCTION

In the food production area, our reviews covered the wheat and feed grain set-aside programs, the sugar and rice programs, and the dairy program. The set-aside programs for crop year 1978 were less effective than they might have been because producers who did not comply fully with program requirements were allowed to remain in the programs. Also, many producers' normal crop acreages, from which set-aside percentages are computed, were incorrect, questionable, or not properly supported. In most of the cases, the acreages

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were overstated, which resulted in reducing the set-aside programs' effectiveness.

Agriculture did not agree with our recommendations that it adopt a stricter compliance program and that it reestablish normal crop acreages based on recent planting histories. While there are no set-aside programs in effect for the current crop year, implementing our recommendations would help reduce budget outlays in years when set-aside programs are in effect by making sure that only those producers who take the required amounts of normally cropped acreage out of production and who meet other program requirements remain eligible for program benefits.

Our report on the price-support program on 1977 crop year sugar showed questionable payments of \$6.1 million. Also, deficiency payments, when added to market prices, resulted in some producers receiving a total of about \$20.8 million in excess of the support level. The program also experienced storage problems, underpayments to some growers, and failure to verify or enforce minimum wage requirements.

We questioned the method the Department used to compute the average price received by farmers under the rice program. Because the cost of drying green rice was not included in the computation, deficiency payments were about \$10.6 million more than they otherwise would have been for the 1976 crop and \$5 million more for the 1978 crop. Agriculture subsequently told this and other committees that it changed its method but we found it had not.

In the dairy program we are focusing on alternatives to the present parity-based program which has not only resulted in a more than adequate supply of milk but has caused milk and dairy product prices, and Government costs, to rise to higher and higher levels. For the last 3 milk marketing years, the Commodity Credit Corporation's net support purchases of dairy products totaled about \$1.4 billion.

FOOD MARKETING

In the food marketing area, our work has covered cooperatives, grain inspection, transportation regulations affecting food, direct farmer-to-consumer marketing, and the export credit sales program. Cooperatives are essential to family farmers; however, some basic issues--such as membership of nonfamily farm corporations and the failure of some cooperatives to adopt equity redemption programs that are fair to their current and former members--need to be resolved.

Our evaluation of the grain inspection and weighing systems in the interior of the United States led us to conclude that the systems' overall structures should be retained. However, a number of actions need to be taken to strengthen the services available under the systems and the Department's controls over such services.

Our attempt to develop an inventory of regulations relating to food transportation showed a need for an indexing system that could ease the identification of regulations applicable to a specific subject, objective, or economic activity. Food transportation alone is governed by about

1,300 regulations covering 9,752 sections of the Code of Federal Regulations or some 30,000 requirements that must be followed by those transporting food.

Our work on the Farmer-to-Consumer Direct Marketing Act of 1976 has shown that as the program ends in 1980, questions will remain about the overall impact and potential of direct marketing to improve regional and local food security and economic development, develop or retain local jobs, reduce overall energy consumption, and enhance farmers' abilities to keep their land and continue to produce.

In the international arena, we reported that a stronger emphasis was needed on market development in the export credit sales program. This program, which has been deleted from the President's budget for fiscal year 1981, was self-supporting and had an excellent repayment record. Little had been done, however, to develop a country-by-country strategic market plan. Also, the program had been used to provide significant economic benefits to the governments of major recipient countries. At this time we are monitoring the Department's actions to mitigate the effect of the Russian grain embargo on farmers.

FOOD ASSISTANCE

Our work on food assistance programs has shown the need for increasing program effectiveness and overcoming problems of fraud, abuse, waste, and mismanagement.

In recent testimony we pointed out that meals provided under the child care feeding program did not always meet nutritional standards, that conditions at some feeding sites may have adversely affected children's health, and that the validity of many sponsors' claims for reimbursement was questionable. Also, according to our analysis, legislative changes in the program's reimbursement methods, which went into effect last week, will result in additional costs of \$41 million. The Department does not know the extent to which program benefits will increase or how many additional children will be enrolled as a result of the increased costs.

Our report to this Subcommittee on the WIC program--the special supplemental food program for women, infants, and children--recommended that the program's tie-in to health services be strengthened and that nutritional assessments of participants, nutrition education, and program evaluations be improved. In the school breakfast program, we have observed that disagreement exists on the need for the program in particular schools and on the role of family versus school in providing breakfast. Also, although various operational problems are sometimes involved, cost seems to be a more critical factor inhibiting program growth. At this time we would not favor that the program be mandated in the schools because of problems in assessing nutritional need, targeting program benefits, attracting participants, and providing Federal as well as local funds.

Our work on food assistance is continuing. We are assessing the food stamp workfare pilot projects, innovative approaches to providing school lunches, Agriculture's purchases and donations of commodities for the food assistance programs, and the strategies being employed in the expanded food and nutrition education program.

We have recommended that the overseas food donation program be focused more clearly to improve the lives of the poorest people in the poorest countries, that program planning be expanded, and that program management be centralized.

FARM AND RURAL CREDIT

In the farm and rural credit area, we pointed out the benefits to farmers and ranchers of consolidating the three separate banking systems under the Farm Credit System. Unneeded competition and overlapping responsibilities and services would be eliminated and costs could potentially be reduced. We also said that the System had been providing credit and services for some purposes which go beyond agricultural needs, such as for marginal farming and recreational purposes and for obtaining tax advantages.

In a report on the subsidized and guaranteed loan programs of the Farmers Home Administration, we developed a methodology for long-term cost projections and recommended that such projections be developed and incorporated in the agency's authorization and appropriation requests. Using the same methodology, we also estimated the future costs of increased funding in each of the Rural Electrification

Administration's loan programs for extending and improving rural electric and telephone service.

FARMLAND OWNERSHIP AND PRESERVATION

In the past several years, concern has been growing about the amount of farmland being converted to urban and other nonagricultural uses and how much of our farmland is foreign-owned. In our report on preserving America's farmland, we said that governmental control of our Nation's land use traditionally rests at the State and local levels, but that the Federal Government could be more supportive of efforts to preserve farmland, especially prime farmland. The Government needs to ensure that its own programs do not result in unnecessary conversion of farmland and the Congress needs to formulate a national policy and goals for preserving farmland and delineate what the Federal role should be in guiding and assisting State and local efforts to retain farmland.

On the question of foreign ownership, we reported that most foreign investors identified in a previous report had registered with the Department of Agriculture as required by the Agricultural Foreign Investment Disclosure Act of 1978. We pointed out, however, that there had been problems in implementing the act and that there was no cost-effective way of ensuring that the registration information was complete and accurate.

ADMINISTRATIVE MATTERS

As for administrative matters, we found a need for the Agricultural Stabilization and Conservation Service to develop better work measurement standards and to adequately document its workload forecasts. We believe that the Service's headquarters should increase its oversight of its State and county administrative offices; however, the Service believes these offices should manage their own day-to-day operations.

Also, the Farmers Home Administration's computer-based information system suffers from poor planning and management; development of the system is at least 5 years behind schedule; and the development cost for the system or for alternative systems could reach \$42 million. As currently designed, the system no longer embodies a viable approach to meeting the agency's information needs. The agency has been studying alternatives to the system but before making a final decision, it needs to more adequately define information requirements.

OTHER MATTERS

Among other matters we reported on this past year was the dilemma faced by the Food and Drug Administration and Agriculture regarding the use of nitrite to preserve, color, and flavor meat products. The validity of an FDA-sponsored study indicating that nitrite causes cancer has been questioned; efforts are underway to resolve the questions.

Also, in studying the Farmers Home Administration's rental assistance program, we concluded that requirements for future appropriations of budget authority were not adequately

disclosed. We recommended that rental assistance be fully funded through a separate general fund appropriation account instead of being funded from a revolving fund.

Finally, at your request we continue to monitor and assist Agriculture in its updating of the food, agriculture, and nutrition inventory, which we had prepared earlier with the help of Agriculture and OMB. The inventory, which initially contained information on 359 programs in 28 departments and agencies, is intended to help in making decisions, setting policies, and managing and evaluating programs.

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This highlights some of the work we have done on food, agriculture, and related activities during the past year. We have, of course, provided the Congress a number of other studies and reports and we have several other reviews underway. We will continue to devote substantial resources to reviews of food and agricultural activities and we appreciate this Subcommittee's continuing interest in our work.

That concludes my statement, Mr. Chairman. We will be glad to respond to any questions you may have.

