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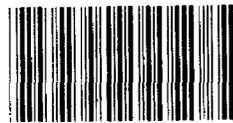
REPORT BY THE

Comptroller General

OF THE UNITED STATES

Summary Of GAO Reports Issued Since 1977 Pertaining To Farm Bill Legislation

GAO has issued over 100 reports pertaining to programs authorized by the Farm Bill since it was renewed in 1977. The reports are organized according to the title and section of the 1977 act. An additional section discusses ongoing GAO work related to Farm Bill issues such as farm structure, parity, commodity surpluses, cultural research, nutrition, disaster assistance, grain reserves, food assistance provided under Public Law 480, foreign agricultural development, grain inspection, rural development, food stamps, farm credit, and agricultural policy.



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Previous reports are briefly summarized and updated to assist the Congress in its deliberations concerning renewal and possible modification of the Farm Bill.



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JANUARY 21, 1981

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-201660

The Honorable Charles H. Percy
Chairman, Committee on Foreign Relations
United States Senate

The Honorable Jesse A. Helms
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate

The Honorable E. (Kika) de la Garza
Chairman, Committee on Agriculture
House of Representatives

The Honorable Clement J. Zablocki
Chairman, Committee on Foreign Affairs
House of Representatives

This report summarizes and updates GAO reports issued since 1977 on topics which are addressed by the Food and Agriculture Act of 1977 (the Farm Bill) and related subjects. The report was prepared to assist the members of the agriculture committees in their deliberations on renewal, modification, and extension of the Farm Bill. Since the subject of Public Law 480 is involved, it may also be of assistance to members of the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs.

Report summaries and updates are presented according to the titles and sections of the Farm Bill, and the final section discusses ongoing reports dealing with Farm Bill issues.

By providing summaries of our reports and updates in this manner we are seeking to provide information at a time when it will be most useful--as legislative decisions are being made. Copies of the report are also being sent to the Secretaries of Agriculture, State, Education, Health and Human Services and to the Administrator, Environmental Protection Agency, since programs under their administration are involved.


Comptroller General
of the United States

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FOOD AND AGRICULTURAL ACT OF 1977

Line of
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TITLE I -- Payment Limitation for Wheat,
Feed Grains, Upland Cotton, and Rice

101 Payment Limitations:

1. Compliance with Limitations on Payments to Farmers.
CED-79-31 1/4/79

SUMMARY:

The administration of payment limitations under the wheat, feed grains, upland cotton, and rice programs was reviewed to determine whether Agricultural Stabilization and Conservation Service procedures and controls were adequate to insure compliance with the limitations. Steps are needed to strengthen county office administration of the payment limitation. The county offices were (1) not systematically obtaining all information needed to determine the makeup of entities that needed to be combined for payment limitation purposes, (2) making payments to the wrong payees, (3) not implementing proper controls to prevent overpayments on county-issued drafts, and (4) not obtaining the best information available before making determinations for payment limitation purposes. Agency instructions need to be revised and a variety of other steps should be taken in order to insure that payments subject to the payment limitation are in compliance with applicable laws and instructions.

UPDATE:

In response to the recommendations, the agency issued revised instructions on April 25, 1979, requiring county offices to (1) use a new form for obtaining information on all program participants, (2) obtain all legal documents before making a decision on combining farming entities, and (3) submit a sample of its decisions to the State office for review; and State offices to submit a sample of these decisions to headquarters for review. These actions will help insure that future program participants do not exceed the payment limitation.

102 Family Farms:

1. Changing Character and Structure of American Agriculture: An Overview. CED-78-178, 9/26/78

SUMMARY:

The number of farms in the United States dropped from a high of 6.8 million in 1935 to 2.34 million reported in

in 1974. Only 1.7 million farms are considered to be commercial, selling more than \$2,500 of goods per year. Average farm size jumped from 197 acres in 1940 to 440 in 1974, and the average size of commercial farms is 534 acres. It is estimated that today less than one-half of all farmland is owned by the operator.

Three basic pressures have contributed to the concentration and specialization in the farm sector: rising farm costs, the availability of highly productive crop-specific farm technology, and Government policies and programs. Since World War II, general inflation and rising costs have continually narrowed profit margins. To maintain income, the surviving farmer increased his farm size, expanded production, and sought off-farm income. Although farmers made use of technological breakthroughs, they found themselves requiring more equipment, more land, and more capital. Federal programs designed to buffer fluctuations in supply and demand of foodstuffs and fibers have provided farmers with direct subsidies since the 1930's; however, only 1% receive almost 29% of all Government program payments. The corporate form of ownership makes up a substantial portion of larger farm classes, and changes in farm structure have had a substantial impact on rural surroundings. Much of the current Government policy is based on aggregate statistics, and much more could be learned from simply analyzing the available data more thoroughly.

UPDATE:

The Department of Agriculture held hearings beginning 3/79 on farm structure. It is now doing followup studies.

2. Family Farmers Need Cooperatives--But Some Issues Need To Be Resolved. CED-79-106, 7/26/79

SUMMARY:

Farmers still face some of the same problems they faced in the 1920's and 1930's when legislation first allowed them to form cooperatives to compete more effectively in the agricultural system. The overall trend in American agriculture has been one of increasing concentration marked by a decrease in the number of farms and an increase in average farm size, a greater share of total gross farm income going to large farms, and a larger portion of agricultural products handled by a smaller number of suppliers. Although cooperatives

have grown in size and market share, they are still much smaller than some other businesses that compete with them in such markets as grains, fruits and vegetables, dairy products, poultry and eggs, and feed.

Cooperatives are an integral part of the agricultural structure. They provide farmers with an alternative for marketing products and for procuring farm items and services. Most farmers responding to the GAO questionnaire viewed cooperatives as increasing the income and promoting a better way of life for family farmers. According to law, the Department of Agriculture (USDA) is responsible for making sure that cooperatives do not use their advantages to unduly enhance prices. USDA has done little to guard against undue price enhancement and other unfair practices. If USDA retains the regulatory function, it needs to establish a system to monitor cooperative activities and to take enforcement action where warranted. An emerging issue is corporate membership in cooperatives. Nonfamily farm corporations have joined cooperatives and enjoyed benefits Congress intended mainly for family farmers. Another issue of major concern to farmers is the failure of many cooperatives to retire systematically the retained earnings owed their members. The failure to retire retained equities in a timely manner can affect farmers' participation in cooperatives.

Recommendations: The Secretary of Agriculture should establish an enforcement and monitoring system so that cooperatives do not use monopolistic or other unfair trade practices to raise prices unduly; develop a set of cooperative conduct principles with the Federal Trade Commission and the Department of Justice; include specifically tailored conduct principles as terms and conditions in all future marketing orders, unless they are not warranted by marketing conditions; require that a national campaign be conducted to motivate cooperatives to adopt equity redemption programs that are fair to current and former members; and require that plans for assisting new and developing cooperatives be coordinated among responsible agencies before additional field offices are established. If Congress decides to limit participation of nonfamily farm corporations, the following four options should be considered: (1) ban corporate membership in cooperatives, (2) limit corporate membership to a certain percent of the cooperative's volume of business or membership equities, (3) ban corporate representation on cooperative boards of directors, or (4) limit corporate membership to a certain

percent of the cooperative's volume of business or membership equities and ban corporate representation on cooperatives' boards of directors.

UPDATE:

In April 1980 USDA said that it was proceeding with plans to establish a formal enforcement and monitoring system and had started a national educational campaign on equity redemption programs for cooperatives. It also described procedures that will be followed before additional field offices are established. USDA also indicated that it was taking action to provide more precise definitions of exempt and nonexempt cooperative activities, which would assist in clarifying what is an excess and, thus, possibly monopolization or restraint of trade. It said, however, that it would not develop and include specific conduct principles as terms and conditions in marketing orders because as the Federal Trade Commission and the Department of Justice had pointed out, the illegality of specific practices depends on competitive conditions of the market. Because marketing orders have a great influence on competitive conditions, GAO believes that specifically mentioning in the marketing orders the practices that are prohibited would serve as a reminder to cooperatives and give them more specific notice of practices that could incur legal action. This could discourage cooperatives from engaging in such practices and would provide a more effective basis for taking administrative or legal action should such practices occur. Moreover, a comprehensive set of conduct principles jointly developed by the three oversight agencies should help to clarify the now-confusing Federal policy regarding cooperatives and thereby allow cooperatives to serve family farmers better.

- 103 Study on Prohibiting Payments to Certain Legal Entities:
(No GAO Reports Issued)
- 104 Conforming Amendment (re: Payment Limitations):
(No GAO Reports Issued)

TITLE II -- Dairy and Beekeeper Programs

201-205 Provisions Relating To Dairy Programs:

1. Alternatives To Reduce Dairy Surpluses. CED-80-88,
7/21/80

SUMMARY:

The U.S. Government faces the difficult task of balancing interests of the dairy industry and interests of consumers and taxpayers. Federal dairy policies and programs are designed, in part, to assure an adequate milk supply. But the U.S. dairy industry has continually produced more milk than can be marketed commercially at established market prices. The surplus, in the form of dairy products such as butter and cheese, is purchased by the Government. At times these purchases have been burdensome. From 1949 through 1979 these removals totaled over 142 billion pounds (in milk equivalent) and the Government's net expenditures for dairy price-support and related programs totaled \$9 billion.

The dairy price-support program, which uses parity price as the standard for determining the support level, is considered by many to be the principal cause of surpluses. The milk support price has rapidly increased--from \$6.57 per hundredweight in April 1974 to \$12.36 per hundredweight in April 1980. Most of the increase resulted from the formula for computing the parity price for milk. The formula does not adequately consider many economic factors affecting milk market conditions, such as costs of production and productivity. It includes some factors, such as family housing and clothing costs, which have little to do with production.

The dairy price-support levels also have promoted more than adequate milk supplies and, in recent years, increased milk producer returns to levels more than adequate to maintain productive capacity. In every year since 1960, the total supply of dairy products has exceeded the total demand. In recent years dairy farm cash receipts have been at high levels (\$14.7 billion in 1979), farm dairy prices have increased faster than the average prices for all farm products, and producer returns have increased faster than inflation.

The Congress and the Secretary of Agriculture could make some changes in the program to help reduce surpluses and improve the parity price standard's

effectiveness. These changes, however, would still not ensure that the program's objectives would be effectively accomplished. Alternative milk-pricing standards need to be considered. These include a dairy parity price standard, a cost-of-production standard, and a standard based on a comprehensive formula that systematically and simultaneously considers changes in cost of production, milk product stocks, and demand.

In contrast to the current standard, the dairy parity price formula would use indexes reflecting only the prices received for dairy products and the prices paid for items used in producing milk. Each production item would be weighted according to its importance to the total production cost. A dairy parity price standard would more closely reflect changes in factors affecting prices on dairy inputs but would not reflect productivity increases or supply and demand factors. Also, it would assure more balanced production and consumption, thereby reducing Government purchases of surpluses while still providing a reasonable return to producers.

A cost-of-production standard would use average production costs per hundredweight of milk during a specified period as the basis for supporting milk prices. Such a standard would reflect the costs of producing milk and productivity increases but would not consider supply and demand factors.

A standard could be developed that would use a comprehensive formula to relate the price of milk to factors affecting supply and demand. Such a formula could systematically and simultaneously consider changes in cost of production, milk product stocks, and demand. If properly developed it would represent a distinct improvement over the parity price, dairy parity price, and cost-of-production standards in that both supply and demand factors would be considered. However, sufficient research needs to be done before this approach could be used. In the interim, the basis for setting the milk support price could be changed to either a dairy parity price standard or a cost-of-production standard.

GAO believes the dairy parity price standard would be the least disruptive to the industry. In computing a dairy parity price, a more recent base period should be used. The price-support level should initially be set at 100 percent of the dairy parity price. However, the Secretary of Agriculture should have the flexibility

to adjust the level when Government purchases of surpluses exceed specified levels. This flexibility would help balance producer, consumer, and taxpayer interests and adjustments made would signal producers when problems existed.

GAO believes producer participation in financing dairy promotion programs could be increased by eliminating the refund provision and making promotion provisions a part of all Federal milk-marketing orders or by establishing a Federal nationwide producer promotion program. More uniform participation in funding promotion programs would remove inequities as well as generate increased contributions. Increased contributions should help the industry promote consumption of dairy products, thereby reducing Government purchases of surpluses.

Recommendations: If the Congress, after considering the alternatives, decides to keep the current parity price standard as a basis for establishing the milk support price, it should amend the Agricultural Act of 1949 to

- shift the base period from 1910-14 to a more recent period that is comparable with other national indexes;
- authorize the Secretary to eliminate the family living component from the parity index to more accurately reflect the cost of milk production;
- eliminate the requirement to set the milk support price at a level between 75 and 90 percent of parity;
- require the Secretary of Agriculture to set the support price at the level of parity that will balance the interests of producers, consumers, and taxpayers after considering changes in the cost of producing milk, milk product stocks, and demand for milk products; and
- require the Secretary to adjust the price-support level if the 12-month moving total of CCC net removals of dairy products exceeds trigger levels established by the Secretary.

If the Congress decides to adopt a dairy parity price standard for the short term and, if appropriate,

a standard based on a more comprehensive formula for the long-term, it should enact legislation

- directing the Secretary to perform necessary research to develop and, if appropriate, implement a comprehensive formula designed to simultaneously consider changes in milk production costs, milk product stocks, and demand, and
- authorizing the Secretary, until such a comprehensive formula can be developed and implemented, to (1) base the milk support price on 100 percent of the dairy parity price using a base period comparable with other national indexes and (2) adjust the price-support level when Government purchases of dairy products exceed specified levels.

The Congress also should either

- establish a Federal nationwide producer promotion program with the contribution rate set as a percentage of sales or
- improve the promotion programs under current Federal milk-marketing orders by (1) eliminating the refund provision in Federal orders, (2) making mandatory promotion provisions a part of all Federal orders, and (3) setting the contribution rate as a percentage of sales.

If the Congress decides to keep the current parity price standard as the basis for supporting milk prices and implements GAO's recommendations with appropriate legislation, the Secretary of Agriculture should

- exclude the family living component from the parity index and update the factors and weights of the indexes used in computing the parity price for milk;
- develop specific criteria and procedures to ensure that the support price will be set at a level of parity that will balance the interests of producers, consumers, and taxpayers after considering changes in the cost of producing milk, milk product stocks, and demand for milk products; and
- establish the trigger levels, based on a 12-month moving total of CCC net removals of dairy products, needed to adjust the price support.

Also, if so authorized by the Congress, the Secretary should

--in conjunction with producer and consumer groups and with input from the Congress, perform research to select factors and assign weights needed to develop a comprehensive formula that will balance the interests of producers, consumers, and taxpayers and then, if appropriate, implement the formula;

--identify the dairy input factors and weights needed to base the support price on 100 percent of the dairy parity price, using a base period comparable with other national indexes; and

--establish trigger levels, based on a 12-month moving total of CCC net removals of dairy products, needed to adjust the support price.

2. Evaluation of Comments Made by the Dairy and Poultry Subcommittee, House Agriculture Committee, on GAO's Report Entitled "Alternatives to Reduce Dairy Surpluses." CED-80-88A, 8/12/80

SUMMARY:

The Subcommittee offered several comments relating to GAO's July 21, 1980, report on the dairy price-support program and possible alternatives. GAO said it recognized that a report on sensitive and controversial issues will be criticized by many for various reasons, particularly if the report recommends changes to an established program such as the dairy price-support program. It agreed with the Subcommittee that the issues of trade policy, parity levels, surpluses, consumer costs, and alternative programs, some of which have been discussed in other GAO reports or in reports by other agencies, all need to be adequately explored in establishing a dairy policy. It said that it hoped that its report and comments and any discussions they generate could be used constructively to help the Subcommittee in establishing a dairy policy that will balance the interests of the dairy industry, consumers, and taxpayers.

206 Standard of Quality for Ice Cream:
(No GAO Reports Issued)

207 Beekeeper Indemnity Program:
(No GAO Reports Issued)

TITLE III -- Wool and Mohair

301-302 Provisions Relating to Wool and Mohair Programs:
(No GAO Reports Issued)

TITLES IV-VII -- Wheat (IV), Feed Grains (V),
Upland Cotton (VI), and Rice (VII)

401-705 Provisions of Above Titles:

1. New Approach Needed To Control Production of Major Crops if Surpluses Again Occur. CED-77-57, 4/25/77

SUMMARY:

The effects of the Commodity Credit Corporation (CCC) programs to prevent the accumulation of excess agricultural commodities are the focus of this report. During the 1971-73 crop years, CCC paid farmers \$7.6 billion to set aside cropland. When all-out agricultural production was called for, the amount of planted cropland fell short by about 21 million acres of the amount paid for. Most of this difference was in land normally set aside by farmers in their cropland rotation pattern (summer fallow). Smaller portions of the 21 million acres represented cropland retained for grazing or converted to nonagricultural uses. Payments for summer fallow occurred primarily in the wheat programs. About \$800 million of the total wheat set-aside payments did not result in a reduction of planted acreage. Surpluses of major crops could occur again, and future programs should avoid these excess payments.

Recommendations: The Secretary of Agriculture should develop a legislative and administrative proposal designed to control crop production with appropriate recognition of the summer-fallow factor.

UPDATE:

The Food and Agriculture Act of 1977, Public Law 95-113, September 29, 1977, provides for set-aside programs for wheat, feed grains, and cotton based on a percentage of the current year's planted acreage and requires that the acreage normally planted to wheat, feed grains, cotton, and rice be reduced by the amount of the set-aside.

2. Federal Deficiency Payments Should Not Be Made for Crops Not Grown. CED-77-77, 5/24/77

SUMMARY:

The Commodity Credit Corporation is making an estimated \$135 million in deficiency payments to rice farmers for the 1976 rice crop. These payments are based

on the extent that the national average market price received by rice farmers was below a target price established by law. About \$5 million of the deficiency payments will be paid to farmers who had rice acreage allotments, but did not plant rice on some or all of their allotments, and thus did not have rice to market from such acreage. Similar deficiency payments based on the target price concept have been authorized for wheat, feed grains, and cotton since the 1974 crop year, but because market prices have been above the target prices for these crops so far, no deficiency payments have been necessary. However, the situation in which payments would be made on unplanted and unmarketed crops could arise under the 1977 rice, wheat, and feed grain programs and under future programs for these crops if current legislation is extended. For cotton, deficiency payments are specifically based on planted acreage within the allotment, so the same situation could not occur.

Recommendations: If the target price concept is continued beyond the 1977 crops, the Congress should adopt legislation that will preclude deficiency payments on crops not grown.

UPDATE:

The Food and Agriculture Act of 1977, Public Law 95-113, September 29, 1977, provides for deficiency payments for the 1978 and future crops of wheat, feed grains, cotton, and rice to be based on planted acreage. Thus, deficiency payments will not be made for crops not grown.

3. The Department of Agriculture Should Be Authorized To Charge for Cotton Classing and Tobacco Grading Services. CED-77-105, 8/2/77

SUMMARY:

The provision of free cotton classing and tobacco grading to producers is inconsistent with the Government's policy of charging fees for special services and with the practice of charging for grading other commodities. Most agricultural commodities, other than cotton and tobacco, are graded by the Department of Agriculture on a reimbursable basis. In fiscal year 1976, the Department spent \$66.2 million grading commodities. Of this, \$48.5 million was recovered primarily through charges to those using the services. Of the \$17.7 million not recovered, \$11.2 million represented cotton classing and tobacco grading services provided without charge to producers. The original reasons

for providing free tobacco grading and cotton classing services are no longer applicable. Cotton classing and tobacco grading do provide special benefits to the producers because the producers are now paid on the basis of grades assigned to the commodities.

Recommendation: The Congress should amend the Cotton Statistics and Estimates Act and the Tobacco Inspection Act to authorize the Secretary of Agriculture to charge producers for cotton classing and tobacco grading services furnished by the Department.

UPDATE:

The Department of Agriculture had not taken a position on GAO's recommendation at the time of the report. However, in hearings before the Senate Appropriations Subcommittee on fiscal year 1979 appropriations, the Department said it had some reservations about charging users for cotton classing and tobacco grading services. As of August 1980, the Department was not planning any action to establish user fees for cotton classing and tobacco grading services.

4. Compilation of Information Concerning Federal Disaster Relief Programs. CED-78-13, 11/17/77

SUMMARY:

Information on Federal disaster relief programs, which is based on data contained in GAO and Department of Agriculture (USDA) reports, is submitted for inclusion in a Senate Committee on Agriculture, Nutrition, and Forestry print. The material includes information on protecting against production loss; protecting against loss from disease, poisoning, or contamination; providing emergency credit assistance; and providing emergency livestock feed assistance. Federal protection against production loss is provided in the form of the Commodity Credit Corporation's (CCC) disaster payment program and the Federal Crop Insurance Corporation's crop insurance program. The Agricultural Stabilization and Conservation Service (ASCS) provides beekeepers protection against loss from disease, poisoning, and contamination through its beekeeper indemnity payment program. Emergency credit assistance is provided through the Farmers Home Administration's emergency loan program. Emergency livestock feed assistance is provided through CCC's emergency livestock feed program, the Department of Housing and Urban Development's Federal Disaster Assistance Administration's (FDAA) emergency feed program, FDAA's hay

transportation assistance program administered by ASCS, and FDAA's cattle transportation assistance program, also administered by ASCS.

5. The Federal Crop Insurance Program Can Be Made More Effective. FOD-77-7, 12/13/77

SUMMARY:

Federal crop insurance indemnities would provide little economic relief to the Nation's agricultural producers in the event of widespread crop failures. A major change in basic program objectives is necessary if the Federal Crop Insurance Corporation's (FCIC) insurance program is to attain widespread acceptance. Under the current program, production guarantees and basic premium rates are set on a county or areawide basis. In crop year 1974, FCIC provided about \$1.2 billion of protection on agricultural crops, while a total of \$40.1 billion was derived from agricultural crop sales. When adverse weather conditions caused widespread damage in 1974, producers suffered production losses on five major crops valued at \$6.9 billion, of which an estimated \$420 million was incurred by insured farmers. FCIC paid insured producers about 12 percent of the estimated value of their lost production. The Federal crop insurance program has not attained the high degree of national acceptance and participation from agricultural producers essential to a sound insurance program. Because FCIC sets production guarantees and basic premium rates for most crops on the basis of the estimated productive capability of land areas and countywide loss history, production guarantees and rates are too high for some producers and too low for others. Establishing the same production guarantee for all producers in the area encourages greater participation by those producers whose average yield is at or below the average yield of the group.

Recommendations: The Secretary of Agriculture and the FCIC Board of Directors should develop a personalized crop insurance program with production guarantees and premiums based on the producer's prior yield history.

UPDATE:

Public Law 96-365, signed September 26, 1980, is intended to accomplish the improvements recommended.

6. Audit of Commodity Credit Corporation for Fiscal Year 1977. CED-78-91, 4/14/78

SUMMARY:

An examination of the financial statements of the Commodity Credit Corporation of the Department of Agriculture was directed primarily at their reliability and usefulness. Except as noted, the examination was made in accordance with generally accepted auditing standards and included tests of the accounting records and other auditing procedures that were considered practicable and reasonable. Because of the uniqueness and scope of the Corporation's operations, it was not practicable to perform all examination and verification steps necessary to reach an overall opinion on the accuracy and fairness of the Corporation's statements as of September 30, 1977, and the results of its operations for the year then ended.

The Corporation reported a total realized loss of \$824 million for fiscal year 1977. This loss, reimbursable through appropriations, was \$222 million more than that for fiscal year 1976. The results of operations for fiscal year 1977 did not include costs of \$1.3 billion to be recovered through special appropriations and collections from foreign governments. At September 30, 1977, price-support and storage facility loans made to farmers at the county level totaled about \$420 million; documentation lags resulted in a \$45 million understatement of total assets and liabilities. Because of problems with receiving prompt responses and reconciling differences, confirmation of accounts and notes receivable was omitted, as was an independent verification of commodities in the Corporation's inventory and those stored as collateral for loans. The reasonableness of the Corporation's allowances for losses on disposition of price-support inventories or loans was also not verified.

7. Regulation of the Commodity Futures Markets: What Needs To Be Done? CED-78-110, 5/17/78

SUMMARY:

The Commodity Futures Trading Commission Act of 1974 provided comprehensive regulation of all commodities, goods, and services traded on the futures markets. Futures trading is the buying and selling of standardized contracts for the future delivery of specified grades and amounts of commodities. Ten commodity exchanges provide organized central markets where trading can take place

through open outcry and competitive bidding. The 1974 act authorized the Commodity Futures Trading Commission (CFTC) to operate through fiscal year 1978, and legislation must be enacted reauthorizing the Commission to operate beyond that date.

The CFTC has been slow in developing a formalized planning process and, as a result, its regulatory posture has been overly ad hoc and reactive instead of anticipatory and preventive. The Commission's performance has been adversely affected by organizational and management problems, including lack of strong management experience in executive positions, management weakness in the Executive Director's office due to organizational instability and jurisdictional disputes, a high rate of staff turnover, failure to develop professional cadres and managers from within the organization, and lack of a broad representation of views on advisory committees. The initial market designation reviews were not comprehensive enough to assure that only contract markets meeting statutory and CFTC requirements were designated. While the Commission's rule enforcement review program has produced some positive results, more remains to be done.

Recommendations: The Congress should reauthorize CFTC for 4 years and should amend the authorizing legislation to have the Securities and Exchange Commission regulate all futures contracts on securities. The CFTC should promptly follow up on all unresolved and outstanding issues pertaining to the 1975 initial market designations, clarify and enforce market designation guidelines, and establish a program to monitor how well the exchanges are carrying out their continuing responsibilities to ensure that contract terms and conditions reflect market conditions. The Chairman of the CFTC should constitute a task force to study the feasibility, costs, and benefits of a system for precise time sequencing of all trades and develop and analyze evidence to determine whether dual trading is necessary for trading liquidity. To protect the trading public from unfit and unqualified individuals and firms, the Chairman should fingerprint the registration applicants and submit prints to the FBI for checks, review the fitness of registrants on a continuing basis, and establish and enforce qualification and proficiency standards for registrants.

UPDATE:

Findings from the report were used in sunset review hearings held to evaluate the agency for reauthorization. Some provisions were incorporated in Public Law 95-405.

8. What Causes Food Prices To Rise? What Can Be Done About It? CED-78-170, 9/8/78

SUMMARY:

According to the Bureau of Labor Statistics (BLS), food price levels increased 57 percent from the beginning of 1970 through 1976, including a 31-percent increase in 1973 and 1974. The Consumer Price Index shows that over the last 50 years food prices have been susceptible to wider fluctuations than the prices of other goods. Farm prices and food prices are generally generated in two different markets--the market for raw agricultural commodities and the market for finished food products.

Farm prices of raw agricultural commodities are influenced largely by such unpredictable natural forces as the weather, pests, and crop disease. Farm and food prices are influenced by other factors that affect supply, such as Federal programs for cropland set-aside, commodity disposal, export sales and marketing orders; production costs; and the length of the production cycle. Higher marketing charges accounted for 87 percent of the increase in consumer expenditures since 1973. The largest food marketing cost is labor. There are four principal reasons why food prices do not always decline when the farmer receives less for the raw commodity: (1) a drop in farm value may have little or no impact on the retail price when the farm value is a small percentage of a product's price, (2) a decrease in farm value may be offset by increases in the cost of marketing, transporting, assembling, and wholesaling, (3) retail pricing methods are based on factors other than product cost, and (4) food chains may not pass on price drops to the consumer. Several problems relating to the collection, analysis, and presentation of food price statistics published by the Federal Government have limited the statistics' reliability and usefulness.

Recommendations: If the Congress establishes a permanent bureau of agricultural statistics or national commission on food production, processing, marketing, and pricing, it should provide the agency with the authority

to assure access to food industry records and provide for adequate safeguards to protect confidential records. The Congress should direct BLS to institute a retail price collection program which would allow BLS to publish nationwide average retail prices for individual commodities and allow the Department of Agriculture to resume publishing farm value-retail price spreads. The Secretary of Agriculture should direct the Department to make certain changes in its food price statistics. The Secretaries of Agriculture and Transportation and the Chairman of the Interstate Commerce Commission should conduct an indepth study of the problem of haulers of raw agricultural commodities having to drive many miles with empty trucks and should develop and propose legislation if such a need exists.

UPDATE:

In its comments, the Department of Agriculture (USDA) said the report recommended actions which, if taken, would contribute significantly to improving its ability to monitor and report the relevant indicators of food price changes on a timely basis. BLS and the Office of Management and Budget did not see any reason to change the present method of collecting, analyzing, and presenting food price statistics.

Public Law-96-296, July 1, 1980, allows haulers of raw agricultural commodities to carry nonagricultural products on the return trip. This could significantly decrease the number of empty truck miles driven by these haulers.

In late August 1980 a USDA official said that the Department is making the studies necessary to implement GAO's recommendations to improve USDA's food price statistics, especially the farm value-retail price spread and the percentage of disposable income spent for food. It was not known when these improvements would be implemented.

9. Problems in Computing Deficiency Payments to Farmers. Letter Report, 12/15/78

SUMMARY:

A review of procedures used by the Economics, Statistics, and Cooperatives Service's State statistics offices in California, Kansas, and Iowa for determining the average prices received by farmers for agricultural crops that are under the Commodity Credit Corporation's

target price programs showed the need for the following improvements.

- The complete document processing procedure needed to be spelled out so that the State statistics offices would handle the price data consistently and correctly and that management would have a tool for evaluating the processing of data.
- Improved internal checks and controls were needed to avoid mathematical errors or to identify and correct them when they occurred.
- Instructions were needed on the correct method of expanding State sample data to the full universe for the State. Each of the State offices visited was using a different method.

There was also a need to immediately recheck the price data that was used as the basis for an estimated \$700 million in deficiency payments on the 1978 wheat and barley crops.

As a result of GAO's meeting with Service officials, the Chairman of the Crop Reporting Board sent the State statistics offices a telegram and memorandum dated November 17 and 21, respectively, detailing the need for careful attention and appropriate documentation in handling and processing price information and emphasizing that the procedures and calculations for the 5-month average prices used as the basis for the 1978 wheat and barley payments be well documented and correct.

10. ASCS Needs To Improve Procedures for Taking Measurements of Farm-Stored Grain and for Identifying Grain Bins Containing CCC Loan Collateral. Letter Report, 1/29/79

SUMMARY:

The management of the Commodity Credit Corporation's (CCC) commodity loan and grain reserve programs was reviewed to determine the adequacy of the controls over loan collateral commodities stored on the farm. Improvements are needed in the methods followed by county commodity inspectors in taking grain measurements which, along with the test weight, are used as a basis for determining loan amounts. Improvements are also needed in identifying storage facilities containing CCC loan collateral. Some States and counties require that grain

be in a measurable position before measure while other States and counties do not. The extent of judgment used and the number of measurements taken by inspectors in determining the dimensions of grain vary. Although the Agricultural Stabilization and Conservation Service has established procedures on how to draw a representative sample for test weight, methods used by inspectors in Kansas and Minnesota counties differed significantly. At the time the loan document is prepared, the producer provides a description of the storage facility, but in cases where the producer has several storage facilities in the same general location, the inspector may have difficulty in locating the specific facility to be inspected. Because CCC assumes responsibility for physical loss or damage to farm-stored collateral in cases of certain disasters, storage facilities should be clearly identified.

UPDATE:

In a March 14, 1979, letter to GAO, the agency said it was taking the following actions to help improve control of collateral commodities.

- Specific procedures were being developed for county office use in 1979 to insure proper measuring, sampling, and inspection of farm-stored commodities.
- Procedures would be provided to enable counties to develop bin identification plots for each farm, tract, or storage location with permanently assigned numbers for each bin or storage structure.
- The agency's management services' division began work to develop various types of seals, such as plastic, metal, and adhesive-back seals.

11. Audit Of Financial Statements of Federal Crop Insurance Corporation, Fiscal Year 1978. CED-79-72, 5/31/79

SUMMARY:

The Federal Crop Insurance Corporation reported an operating loss of \$78.2 million for fiscal year 1978, due primarily to drought conditions affecting the corn, tobacco, and wheat crops. The fiscal year 1978 loss is the largest in the Corporation's history. To cover large losses from July 1, 1975, to September 30, 1978, the Corporation has used \$136.5 million of the \$140 million

Congress authorized to the Treasury to invest in capital stock during that period. Preliminary estimates indicated that in fiscal year 1979 (crop year 1978), premiums will exceed indemnities by about \$43.2 million, which should offset in part the large deficits of recent years. In 40 pilot counties, the Corporation is testing the capability of the county Agricultural Stabilization and Conservation Service delivery system to improve underwriting practices and increase sales of crop insurance. The financial statements present fairly the financial position of the Corporation and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles.

12. ASCS Needs To Insure That County Offices Follow Prescribed Sampling Procedures in Selecting Farms for Spot-checking Acreage Certifications. Letter Report, 6/4/79

SUMMARY:

County Agricultural Stabilization and Conservation Service (ASCS) offices either had already started or would shortly start selecting farms for quality control spot checks of acreage certifications for the 1979 wheat and feed grains set-aside programs. A review of the administration of the 1978 wheat and feed grains set-aside programs revealed that none of the county offices had followed all prescribed sampling procedures in selecting farms whose certifications were to be spot checked. Some counties had not performed all the spot checks the sampling procedures required. As a result, these county offices did not obtain statistically valid information on the magnitude of incorrect acreage certifications.

Recommendations: ASCS should reaffirm to county offices the importance of following prescribed sampling procedures for selecting farms for quality control spot checks of acreage certifications and insure that representatives of the State offices verify that county offices have correctly followed prescribed sampling procedures.

UPDATE:

On June 4, 1979, the Deputy Administrator, ASCS, sent a notice to all State offices, except Hawaii, containing the recommended reaffirmations.

13. Agriculture's Statistics Agency: Computation of Average Market Price of Rice Questioned; Independent Evaluation and Unimpeded GAO Access to Records Needed. CED-79-85, 6/25/79

SUMMARY:

The Department of Agriculture's Economics, Statistics, and Cooperatives Service needs to develop better price data for determining the national average market price farmers receive for rice as the data is used to calculate Federal deficiency payments. Neither the program's authorizing legislation nor its legislative history indicates how the average price should be determined. The Service has not provided its State statistics offices with adequate written procedures for compiling data and maintaining records. The cost of drying green rice, an important factor, was omitted in determining the average price farmers receive for their rice and caused deficiency payments to be about \$10.6 million more than they otherwise would have been for the 1976 crop and \$5 million more for the 1978 crop. GAO asked the Service to provide workpapers and reports so that it could evaluate how the reports were used to determine the average price farmers received for the 1976 crop. The Service and the Department of Agriculture (USDA) denied GAO access to the reports for about a year. Also, after GAO questioned the Service's computation of the average price on the 1978 crop, the Service revised the figure and an \$11 million savings was realized.

Recommendations: The Congress should amend the rice program legislation to provide that (1) the quantities and amounts paid on rice purchases be compiled on a common basis in computing the national average price of rice, (2) the Secretary of Agriculture invite comments from and consult with trade, farmers, and other appropriate sources in establishing the specific methodology for the computation, and (3) the national average price of rice be established on a 12-month marketing year basis.

The Secretary of Agriculture should direct the Economics, Statistics, and Cooperatives Service to negotiate with rice cooperatives to obtain price data that would be useful in computing the average price and provide better procedures to its State statistics offices for compiling data and maintaining records on average prices of commodities for which deficiency payments are authorized. GAO indicates that it would be beneficial to have an outside independent statistical group

evaluate USDA statistical operations. It recommended that the Secretary insure that the independent evaluation includes an overview of the methodologies for the statistical series on prices received by farmers.

UPDATE:

USDA's August 14, 1979, statement to congressional committees on actions taken on the recommendations indicated that the Economics, Statistics, and Cooperatives Service had taken action, consistent with one of the report's recommendations, to provide a common basis for reporting quantities and amounts paid on green and dry rice purchases. Further inquiries, however, showed that the Service's action did not correct the basic problem.

In a report dated January 29, 1980 (CED-80-48), GAO informed the congressional committees that USDA's actions fell short of what was needed. GAO said that although USDA had made a slight procedural change to obtain quantity data on a common basis, it had not changed the way amounts paid for green rice were reported. Because the average market price is a key factor in determining whether and how much rice farmers will receive in Federal deficiency payments, the manner in which the average price is computed is economically important not only to the farmers but also to the taxpayers. Accordingly, GAO continues to believe that legislative action should be taken to provide that the amounts paid on rice purchases, as well as the quantities, be compiled on a common (dry) basis in computing the national average market price of rice.

14. Agriculture's Set-Aside Programs Should Be Improved.
CED-80-9, 1/11/80

SUMMARY:

The Department of Agriculture's Agricultural Stabilization and Conservation Service's (ASCS) wheat and feed grain set-aside programs are intended to reduce expected surpluses of particular crops. In return for taking acreage out of production, producers are eligible for commodity loans and purchases as well as deficiency, disaster, and diversion payments. A review of producer compliance with the programs' requirements identified certain areas in which the effectiveness of the programs could be improved.

Most producers in the counties reviewed complied with the set-aside requirements. However, some were allowed to receive program benefits without fulfilling these requirements. County ASCS officials and local, farmer-elected, county committees were responsible for determining compliance. To participate in the programs, producers certified their planted and set-aside acres. County ASCS officials were responsible for determining the accuracy of the certifications. Producers who certified their acreage inaccurately could be denied participation in the program, or if they had acted in good faith, assessed a monetary penalty. The programs were implemented in a short time and when staffing at the county offices was low. Criteria for good faith determinations were vague. As a result, the committees generally found that producers had acted in good faith even when the reasons given did not justify allowing them to remain in the programs. Monetary penalties were not always applied when they should have been, were not applied consistently, and were costly to administer. A stricter certification and compliance program was needed to ensure compliance, simplify program administration, and reduce county office workload. Land to be set aside should have been part of a farm's normal crop acreage. However, GAO found several cases where the acreages did not represent the farm's normal plantings, were established contrary to instructions, or were otherwise questionable. In most of these cases, the acreages were overstated, thereby reducing the set-aside programs' effectiveness.

Recommendations: The Secretary of Agriculture should direct the ASCS Administrator to establish a strict compliance program under which producers who incorrectly certify their acreages would be denied program participation unless they were granted relief through a State and/or national appeal process, and specifically define the circumstances in which relief would be granted. This would take the place of good faith determinations and monetary penalties. In addition, the Administrator should revise procedures to require that the adequacy of set-aside covers be documented both at the time of certification and at the time of farm inspection and that followup visits to correct any identified problems be made and documented; revise procedures to increase the number of visits made to farms having small grains as cover on set-aside acres to ensure that the cover crop is clipped prior to seed formation; and have county offices use aerial observation to assist in determining compliance where feasible and cost effective, but limit wheat and feed grain determinations, for the most

part, to a random sample of farms plus other required checks. The Secretary should require the Administrator to reestablish normal crop acreages for all wheat and feed grain farms based on recent planting histories, such as those for 1977, 1978, and 1979, and ensure that all changes to established normal crop acreages are properly supported and documented and obtain annual planting data on all farms using producer certifications.

UPDATE:

In its March 14, 1980, statement of actions taken on the recommendations, Agriculture said it would keep the existing compliance systems of good faith determinations and monetary penalties but would make some rule changes effective with the 1980 programs. These rule changes were as follows: (1) county offices will accept farm operators' reports of acreage for all farms, (2) quality control of crop acreage certifications will be accomplished through a random selection method with the use of aerial observation unless ground measurement will prove more cost effective, and (3) county committees will select and check no less than 5 percent of those farms reporting small grain cover on set-aside acreage and ASCS employees who visit any farm for inspection or measurement will also verify set-aside cover and its use and general condition and properly document the acreage report. Agriculture disagreed with the recommendation that it established normal crop acreages for all farms on the basis of recent planting histories. According to Agriculture, a recent analysis of normal crop acreages showed that the total acreage for the farms was reasonable even though there were problem areas with some individual farm adjustments. It said that State ASCS representatives had been directed to review normal crop acreages in 114 counties in 27 States and take corrective action where necessary.

15. Corrective Action, Reported by Department of Agriculture on a Factor Involving Federal Rice Deficiency Payments, Has Not Been Implemented. CED-80-48, 1/29/80

SUMMARY:

On June 25, 1979, GAO reported to Congress (CED-79-85) that the Economics, Statistics, and Cooperatives Service, which is the statistics agency of the Department of Agriculture (USDA), disagreed with a GAO proposal that it include in its computation of the national average market price of rice a factor to

recognize the drying costs involved when farmers deliver green (high moisture) rice rather than dry rice to a rice miller. Omission of this factor caused deficiency payments to farmers to be about \$10.6 million more than they otherwise would have been for the 1976 rice crop and \$5 million more for the 1978 crop. GAO therefore recommended that the Congress amend the Agricultural Act of 1949 to provide that the quantities and amounts paid on rice purchases reported by millers be compiled on a common basis in computing the national average market price.

In an August 14, 1979, statement to congressional committees on actions taken on the GAO proposal, USDA said it had taken action to provide for a common basis for reporting quantity and price data on green and dry rice. However, further inquiries showed that while USDA made a slight procedural change to obtain quantity data on a common basis, it had not changed the way amounts paid for green rice are reported. Because the average market price is a key factor in determining whether and how much rice farmers will receive in Federal deficiency payments, the manner in which the average price is computed is economically important to taxpayers as well as farmers.

TITLE VIII -- Peanuts

801-807 Various Provisions:
(No GAO Reports Issued)

TITLE IX -- Soybeans and Sugar

901 Soybean Price Support:
(No GAO Reports Issued)

902 Sugar Price Support:

1. Analysis of the Effect of Loophole in Presidential Proclamation on Sugar. CED-78-85, 3/14/78

SUMMARY:

The effect of the Presidential proclamation designed to protect the domestic price support loan program for sugar was reviewed. Bureau of the Census data show that November imports totaled 19,615 short tons of refined sugar, about 3 percent of the 1977 total, and December imports were 469,096 short tons, about 72 percent of calendar year 1977 refined sugar imports. Census data is published by month so it is not possible to determine what portion of November imports occurred after November 11, the date of proclamation. Three countries provided more than 99 percent of January 1978 sugar imports: Brazil, Canada, and Guatemala. The quoted average wholesale price of both cane and beet sugar have increased monthly since October 1977; it would appear that the imported refined sugar has not caused prices to decline. The revenue not collected by the Treasury due to the absence of an import fee is estimated to be \$30.2 million. It is not possible to determine the expected cost to the Treasury under the loan program. Industries that use refined sugar as an ingredient include: beverages, confectionery products, bakery and cereal products, dairy products, and processed foods. Information is not available on who has benefited from refined sugar imports since the Census Bureau data on imports does not indicate either the importer or the ultimate purchaser.

2. Sugar and Other Sweeteners: An Industry Assessment. CED-79-21, 2/26/79

SUMMARY:

Although sweeteners can be obtained from various plants, until recently only sugar from sugarcane and sugar beets has been important in U.S. commercial production. During the last 5 years, sweeteners from corn have become a major substitute for sugar in the United States, and the importance of these sweeteners is likely to grow. The United States is among the world's largest sugar producers; it currently produces slightly more than one-half

of its domestic consumption and imports the balance. Because the U.S. Government does not set domestic sugar prices as many other Governments do, the world sugar price influences both imported and domestic sugar prices.

In response to high prices in 1974, world production of sweeteners expanded; this has led to the present surplus and low world prices. These low world sugar prices have affected domestic sweetener producers; many sweetener producers and processors claim to have been unprofitable in 1977 and 1978 although data on average production costs and prices does not always support such claims, especially when Government price support payments are included in the comparisons. The domestic sugar industry is primarily important at the local level, except in Hawaii where the industry is critical to the State economy, and plant closings severely affect local communities. High fructose corn syrup (HFCS) is being substituted for sugar in various industrial applications. Its greatest attraction for many users is its price since HFCS is sold at a lower price than sugar. A new International Sugar Agreement is aimed at stabilizing world sugar prices. Unlike the United States, the governments of the four largest sugar suppliers--Australia, Brazil, the Dominican Republic, and the Philippines--play a key role in their sugar industries.

Recommendations: The United States needs a comprehensive sweetener policy that insures a viable and efficient domestic sugar industry, recognizes the importance of corn sweeteners as well as sugar, and reduces the sharp fluctuations in world sugar prices. The Congress should enact legislation setting forth a national sweetener policy. It also should instruct the Secretary of Agriculture to obtain representative production cost data for all sweetener industry elements; require that all persons in the sweetener industry provide the Secretary of Agriculture with the information he deems necessary; and direct the Secretary to identify those sugar industry segments most likely to be adversely affected by shifts between sugar and fructose, assess the alternatives available to assist these segments, and report the results to the Congress.

UPDATE:

In 1979 the House voted down sugar legislation which would have incorporated GAO's recommendations.

3. Questionable Payments and Loan Defaults in Sugar Programs. CED-79-24, 3/16/79

SUMMARY:

Since the Sugar Act expired, prices to sugar producers have declined dramatically, and the U.S. sugar industry has encountered rising production costs, declining profits, declining employment, and increases in unsold inventories. In 1977, the Department of Agriculture (USDA) provided for a price-support loan program for the 1977 and 1978 crops of sugar beets and sugarcane and implemented a loan program for the 1977 crop.

Although the price-support payment program provided substantial benefits of approximately \$200 million to program participants through May 1978, the program has a number of administrative weaknesses. The method used to calculate the average market price of sugar produced in Hawaii distorted the average market price used for computing price-support payments. USDA paid about \$6.1 million in price-support payments for sugar that may have been ineligible. Some participants received about \$20.8 million in payments above the support price for sugar, and some processors were underpaid about \$465,000 because three processors failed to comply with reporting regulations. Significant Federal expenditures will be made as a result of forfeiture of much of the sugar serving as collateral for \$176.1 million of price support loans which were outstanding as of September 1, 1978. These expenditures will be necessary primarily because imports of low-cost sugar have materially interfered with the operation of the loan program by holding down the price of sugar.

Recommendations: The Secretary of Agriculture, should reconsider the method used to compute the average market price for Hawaiian sugar for any future payments; review the payments to the three processor/refiners and, if necessary, adjust payments accordingly; review all contracts to identify those that do not comply with requirements for the cutoff date for payment eligibility; provide adequate written instructions to processors on how benefits should be passed on to producers; plan for the handling and disposition of sugar forfeited as a result of loan defaults; and review wage payments made to fieldworkers to insure compliance with minimum wage requirements. The Congress should consider providing more specific guidance on program implementation.

UPDATE:

GAO recommended that USDA review all contracts for compliance with cutoff dates for payment eligibility and examine all future contracts for program eligibility requirements. USDA has instructed program participants to do this. The Department has accepted the recommendation to provide adequate written instructions to processors on how benefits should be passed on to producers and agreed to require assurance that all producers receive equitable payments. USDA will allow payments to the three raw sugar processor/refiners in Louisiana and if necessary adjust payments to them. USDA has agreed to reconsider the method used to compute the average market price for Hawaiian sugar for any future price-support payments.

4. Reduction in the U.S. Import Fee on Sugar. ID-79-43, 7/17/79

SUMMARY:

A request was made for an evaluation of whether the April 1979 reduction in the U.S. fee on sugar was justified and for information on the import fee mechanism. A Presidential Proclamation sets a fee adjustment period for each quarter. The quarterly adjusted fee is the amount which would bring the average daily spot (world) price quotations for raw sugar during the adjustment period to 15 cents a pound after adding U.S. applicable duty and attributed costs of 0.90 cents a pound for freight, insurance, stevedoring, financing, weighing, and sampling. Prior to November 1977 this average daily spot price was set by the New York Coffee and Sugar Exchange, Inc., and it was used as a reference for merchants selling raw sugar under contracts. However, in 1977 the Government filed an antitrust suit against the Exchange, alleging that its method for determining the price was illegal. Under a proposed system, the price would be determined by a group of randomly selected individuals each day. In the absence of this price, the administration used for fee-setting purposes the International Sugar Agreement world price, as was the case in April 1979. Due to the fact that the world price had fallen substantially in the 20-day period prior to the fee-setting period and that large amounts of sugar were expected to arrive in the United States, the fee reduction was not only justified, but mandatory. If the International Sugar Agreement price does not accurately represent world prices, the President has no obligation to raise the fee and if he decided to, an investigation challenging the accuracy of the price would have to be made. The proposed system, although not an exact

measure of world prices, will eliminate the objectionable practices used by the New York Coffee and Sugar Exchange. It will be the new method for determining the import fee.

TITLE X -- Miscellaneous

- 1001 Set-aside of Normally Planted Acreage:
1. Agriculture's Set-Aside Programs Should Be Improved.
CED-80-9, 1/11/80 *(See 401-705 Section)
- 1002 American Agriculture Protection Programs:
(No GAO Reports Issued)
- 1003 Budget Amendment (Re: Price Support of Certain Commodities):
(No GAO Reports Issued)
- 1004 Special Grazing and Hay Program:
(No GAO Reports Issued)
- 1005 Daily Release of Reports of Export Sales of Agricultural Commodities:
1. Exporting Reporting for Agricultural Products.
ID-79-38, 6/5/79

SUMMARY:

A request was made for information on the number and types of firms currently reporting export sales to the Department of Agriculture (USDA). Inquiries with pertinent officials in the executive branch were initiated to determine the availability of the information. As currently operated, USDA's export reporting system does not divide reporting exporters into categories such as (1) American-based firms, (2) American firms with overseas affiliates, (3) foreign firms with American affiliates, and (4) foreign firms doing business exclusively overseas. Nor is information of this type available from other export data systems. While Export Sales Reporting regulations do not prohibit the Government from requiring exporters to provide additional information, USDA officials have consistently opposed modifying reporting regulations on the grounds that it would be of no useful purpose, and that requiring foreign-owned and foreign-based exporters to comply would be difficult. An accurate, more timely, and reliable reporting system is necessary and desirable. The quality of information provided by exporters could be materially improved if USDA modified reporting requirements to include additional information on export sales such as the categories of

firms listed above, classification of the foreign buyer, contract pricing terms or formulas, exact destinations, and contract provisions.

1006 Filberts
(No GAO Reports Issued)

TITLE XI -- Grain Reserves

1101 Producer Storage Program for Wheat and Feed Grains:

1. ASCS Needs To Improve Procedures for Taking Measurements of Farm-Stored Grain and for Identifying Grain Bins Containing CCC Loan Collateral. Letter Report, 1/29/79
*(See 401-750 Section)
2. Grain Dust Explosions--An Unsolved Problem. HRD-79-1, 3/21/79

SUMMARY:

Of all industrial dust explosions in the United States, those in grain elevators cause the most injuries and property damage. Sixty-two people were killed and 53 injured as a result of five explosions in grain handling facilities in December 1977 and January 1978. Under the Occupational Safety and Health Act of 1970, the Department of Labor's Occupational Safety and Health Administration (OSHA) is authorized to develop and enforce occupational safety and health regulations for grain elevators.

OSHA did not determine the causes of grain elevator explosions it examined in early 1978, nor did it study methods for preventing future explosions. There is general agreement that the possibility of explosions cannot be eliminated entirely. Lack of information of the specific circumstances involved in most grain elevator explosions makes it more difficult to know which actions would be most effective in preventing future explosions. Questions have been raised as to whether Environmental Protection Agency (EPA) or Food and Drug Administration (FDA) regulations contribute to grain explosions. There is nothing to indicate that FDA regulations created an explosive hazard. OSHA has not adopted or developed any standards specifically designed for grain elevators. Instead, it uses its General Industry Standards and its General Duty Clause which require employers to keep workplaces free of recognized hazards. OSHA has placed little emphasis on grain elevator inspections in the past.

Recommendations: The Secretary of Labor should make timely and thorough investigations of future grain explosions using explosion experts, have safety inspectors perform health sampling for dust during grain elevator inspections, and expand the scope of its contract with the National Academy of Sciences to

provide enough time for a more thorough study. The Department of Health, Education, and Welfare should modify its proposed contract with the National Academy of Sciences to provide that the Committee on Evaluation of Industrial Hazards thoroughly consider potential methods of reducing grain explosions, including dust control and explosion venting.

UPDATE:

The National Academy of Sciences has not acted on the GAO recommendations as it is still studying those proposals. The Department of Labor will make investigations and did expand the scope of the contracts. The Department has yet to decide on sampling for dust as it is still unsure about the standards used.

1102 International Emergency Food Reserve:
(No GAO Reports Issued)

1103 Disaster Reserve:
(No GAO Reports Issued)

1104 Farm Storage Facility Loans:
(No GAO Reports Issued)

1105 Emergency Feed Program:

1. Assessment of the Emergency Feed Program. Letter Report, 12/11/79

SUMMARY:

A survey was made of the procedures and controls to prevent erroneous payments under the emergency feed program which is administered by the Agricultural Stabilization and Conservation Service (ASCS). The program assists producers in maintaining livestock herd sizes after a natural disaster has caused them to lose 40 percent or more of their normal feed production.

ASCS usually uses producer-supplied information to compute the amount of assistance a producer receives. Currently, ASCS county offices determine the accuracy of the information by a committee review of applications for assistance and spot checks of selected producers. While ASCS instructions require that spot checks be made on all county committee member applications, all ASCS county employee applications, and 10 percent of all applications, they do not require that the spot checks be increased when initial checks show a high percentage

of inaccuracies. ASCS officials in three of the four counties surveyed claimed they did not increase spot checks because they were not warranted by the number inaccuracies, the inaccuracies found did not require adjustments in the amount of assistance, or available personnel were needed elsewhere. However, GAO found that the average reduction in assistance resulting from inaccuracies was about \$760, and it varied by county from 0 to \$1,369.

Recommendations: The Administrator, ASCS, should revise the spot check instructions to provide county offices with the necessary guidance on the matter of expanding the number of spot checks when initial checks identify a high percentage of applications with inaccuracies.

UPDATE:

On December 13, 1979, ASCS notified GAO that the instructions to verify the accuracy of producer-supplied information were being revised.

TITLE XII -- Public Law 480

1201 Authority for the Commodity Credit Corporation To Act
As Purchasing or Shipping Agent Under Title I.
(No GAO Reports Issued)

1202 Title I Sales Procedures:

1. Stronger Emphasis on Market Development Needed in Agriculture's Export Credit Sales Program. ID-80-01,
10/26/79

SUMMARY:

GAO reported on the need for stronger emphasis on market development in the Department of Agriculture's Export Credit Sales Program. This program, which was designed to supplement private export financing with interest-bearing Government credits, has been self-supporting and has an excellent repayment record. However, it was found to need more active management to help maintain and develop markets for U.S. agricultural exports.

Agriculture's Office of the General Sales Manager has been passively reviewing requests for credits case by case, making the program more vulnerable to secondary economic and political considerations. Little has been done to develop a country-by-country strategic market plan which would incorporate information on foreign competitors and establish the most effective combination of direct private sales, Government credits, and market promotion. The program does not have safeguards for avoiding the replacement of cash or privately financed sales with credits. A provision guarding against this was revoked. The program has been used to provide economic support to foreign countries rather than to develop foreign markets for U.S. agricultural goods. The program's compliance with administrative regulations has been good, except that U.S. exporters have not been providing documents evidencing entry of financed goods into destination countries. Also, exporters have been requesting numerous amendments to financing agreements, which are almost always approved without verification.

Recommendations: The Congress should amend the Food for Peace Act of 1966 by adding restrictions to the program similar to those provided by the Agricultural Trade Act of 1978 for intermediate credit financing of agricultural exports. These restrictions emphasize the market development objective of credits for agricultural exports. The Secretary of Agriculture should direct the

Office of the General Sales Manager to establish commodity and country priorities for export activities; develop specific overall U.S. market share goals for high priority commodities and countries; establish target levels within these overall goals for the Export Credit Sales Program; establish procedures to assure the systematic collection and analysis of competitor information in order to determine the market development role of the Export Credit Sales Program; survey U.S. exporters annually to obtain pertinent information such as foreign credit terms, problem areas, and suggestions for Program improvement; expand its annual request to the agricultural attaches to include analyses of foreign competition and credit information; reinstate the provision in the regulations which precluded the registration of sales made prior to the date that financing became available; review a statistical sample of exporters' sales contracts each year to verify whether sales were contingent on the availability of credit; establish a formal review system that will assist management in determining whether credits actually increased U.S. agricultural exports; emphasize to the major recipient governments that it is not the purpose of the program to provide economic support of a country's domestic budget or balance of payments; determine whether the economic benefits of credits are being passed through to the end users in recipient countries; seek written assurances from those governments which control the use of credits that they will pass through the full credit benefits to end users; shorten the repayment terms of credits for those countries which continue to maintain significant differences between the terms of credits and the internal terms of payment; ensure entry documents are properly submitted; amend regulations to require entry documents for all shipments, including those for commodities financed for 12 months or less; establish and implement procedures to physically verify on a selected basis the entry of commodities into the designated country; and develop and implement procedures, including examination of sales contracts and other pertinent documents, to verify exporters' reasons for requesting amendments before approving these amendments. The Economics, Statistics, and Cooperatives Service should initiate studies to evaluate the credit aspect of foreign competition.

UPDATE:

On November 27, 1979, the Secretary of Agriculture realigned the Department's export promotion and development activities and placed the Office of the General Sales Manager in the Foreign Agricultural Service. In

its January 17, 1980, statement of action on GAO recommendations, the Department stated that under the reorganization, it was strengthening its country analyses and market development planning; planned to have the Economics, Statistics, and Cooperatives Service make a study on credit offered by other governments; would ask agricultural attaches to report on the credit terms of competitors; will insist, where feasible, that the benefits of CCC financing be passed on to the buyer; and would strengthen compliance with program regulations. The Department also said that amendment of the Food for Peace Act to include a statement of congressional intent that the program is to be used for market development and not foreign aid would be useful. Finally, the Department declined to implement GAO recommendations for a formal review system to assist in determining whether credits increased exports; reinstatement of a provision in the regulations which precluded the registration of sales made prior to the date that financing became available; and an amendment in the regulations to require entry certificates for all shipments including those for commodities financed for 12 months or less.

The President's budget for fiscal year 1981 deleted funding of this program and the Intermediate Credit Program. In their place, Agriculture will establish an all-risks insurance program for agricultural exports. Some of GAO's recommendations would be applicable to the all-risks insurance program which is being devised.

- 1203 Increased Appropriation Limit for Title II:
(No GAO Reports Issued)
- 1204 Availability of Commodities:
(No GAO Reports Issued)
- 1205 Financing the Sale of Food and Fiber Commodities:
(No GAO Reports Issued)
- 1206 Valuation of Commodities Acquired Through Price Support Programs:
(No GAO Reports Issued)
- 1207 Revised Regulations Governing Operations; Bagged Commodities:
(No GAO Reports Issued)
- 1208 Extension of the Program:
(No GAO Reports Issued)

1209 Use of Nonprice-Supported Commodities Under Public Law 480:
(No GAO Reports Issued)

1210 Special Task Force on the Operation of Public Law 480:

1. Issues Surrounding the Management of Agricultural Exports. ID-76-87, 5/2/77

SUMMARY:

GAO has conducted a series of reviews of the agricultural export situation since 1972, when Russia's massive grain purchases and worldwide changes in food supply helped to focus national attention on the challenge of allocating the Nation's food resources to meet domestic and international objectives. This review focused on a key element of food resource allocation-- food export policy--and on executive branch management of Russian grain sales, export reporting, and related export policy issues.

GAO found that fundamental improvements are needed in the Nation's food export policy machinery: (1) Agriculture's export reporting system needs to provide accurate and timely data on exports--a necessary input to aid policymakers in exercising measures to mitigate the effects which large, lump sum purchases have on domestic supply and price. (2) current elements of export policy need to be more complete and cohesive, and need to provide more flexibility to meet both domestic and international objectives and changing food supply and demand situations, and (3) policy implementation needs more coordination, cohesion, and better timing.

Recommendations: GAO recommended that a national agricultural policymaking system should include these essential elements: (1) an early warning system for export sales of great magnitude from nonmarket economies, (2) a flexible policy framework that satisfies specific objectives, (3) a structure and procedure for implementing policy action, and (4) contingency planning to meet domestic and foreign economic policy objectives and national security needs.

In view of the uncertainty associated with the 1975 U.S./USSR grain purchasing agreement and in light of its significance, GAO recommended that the Secretary of Agriculture (1) evaluate the effectiveness of the agreement, determining costs and benefits to producers, processors, consumers, exporters and to the Soviet Union,

(2) submit an annual report to the Congress evaluating the agreement's effectiveness, (3) require that all future long-term grain purchasing agreements between the U.S. Government and other governments be fully reviewed by relevant Executive Branch agencies and be subjected to some form of congressional consultation, and (4) require that all future short-supply export control decisions be subjected to some form of congressional consultation before being finalized.

GAO recommended that in its consideration of and deliberations over the agricultural act of 1977, the Congress enact legislation providing for an improved export reporting system that will function as an effective warning system. GAO submitted to the Congress proposed legislative language providing for needed improvements to the export reporting system. GAO also recommended that the Congress establish a food export policy that protects the interests of both producers and consumers, while simultaneously providing an effective policy mechanism for surplus and shortage market conditions. That policy should also clarify the Government's position on grain sales to nonmarket economies, including the desirability of such mechanisms as long-term agreements and government-to-government negotiations.

UPDATE:

In response to a request by the Chairman of House Agriculture Subcommittee on Department Investigations, Oversight, and Research, GAO testified in 1977 urging improvement in the agricultural export reporting system. GAO submitted a letter report to the Chairman, House Small Business Committee, in June 1978 reiterating its position on this subject. In November 1978, GAO testified extensively on export reporting to the Secretary of Agriculture's Task Force on Export Reporting stressing the need for corrective action. The Secretary's final report provided for some minimal change of the agricultural export reporting system; however, it essentially concluded that no major changes similar to those recommended by GAO were in order.

The limitation of grain sales to the Soviet Union in January 1980 prompted the Congress to once again review the issue of Soviet grain sales and export reporting. GAO is currently monitoring these sales and reviewing issues pertaining to the performance of the export reporting system.

GAO's recommendations concerning improvement of the agricultural policy process and developing a flexible agricultural policy responsive to shortage and surplus conditions remain essentially unanswered.

2. The World Food Program: How the U.S. Can Help Improve It. ID-77-16, 5/16/77

SUMMARY:

The World Food Program has provided almost \$1.8 billion in food aid to developing countries with the United States, its biggest contributor, donating \$640 million to the program. The program is attempting to focus on the poorest nations and on development projects, but it lacks a long-range programming system and a clear system of priorities. This sometimes allows countries better able to administer large volumes of food aid to receive preferential treatment, and results in resources going to projects easier to administer instead of those with greater development uses. Proposals for large-scale projects and expansions, which must be approved by the program's governing body, are often submitted too late for review by member governments. The program relies on recipient governments for data to review project progress and does not have the right to audit projects at the country level.

Recommendations: The Departments of State and Agriculture and the Agency for International Development should (1) work for a clear set of program priorities, (2) propose to the governing body that projects must be submitted for member governments' review, and (3) make efforts to obtain audit rights for the program.

The U.S. agencies were in agreement with the report and indicated they would work toward the intent of the recommendations.

3. Efforts To Improve Management of U.S. Foreign Aid-- Changes Made and Changes Needed. ID-79-14, 3/29/79

SUMMARY:

The report outlines some of the actions by the Agency for International Development (AID) to implement the thrust of selected recommendations by GAO and by the AID Auditor General in recent years. The recommendations encompass AID efforts

- to improve the management of operating expenses,
- to control travel costs, and
- to improve project management and contracting practices and procedures.

The report also examines certain broad foreign assistance program issues previously reported upon by GAO, including renegotiations of certain concessional AID loans, program activities in Pakistan, and implementation of Public Law 95-88 and its amendments to Public Law 480.

AID has made substantial strides toward the implementation of prior GAO recommendations related to operating expenses and contracting practices. It has also given much attention to developing better ways to carryout U.S. assistance programs abroad. However, GAO noted certain problems confronting AID in total implementation of prior recommendations as well as additional operational improvements needed.

AID has improved its process for drawing up and evaluating its annual operating expense budget prior to submission to the Congress. However, the question of proper grade levels for Bureau controllers and the size and makeup of their staffs needs to be resolved. Although AID has taken several steps to improve property management, frequent staff turnovers and vacancies hamper the ability of the missions to comply with the new regulations. The most serious problem is lack of control by management over nonexpendable property. AID is improving internal controls over outstanding travel advances. AID is placing greater emphasis on awarding grants and contracts on a competitive basis and giving more consideration to firms owned by minorities and women. The AID policy to review annually the economic status of countries with significant outstanding loan balances with potential renegotiation for accelerated loan repayment in mind has not been carried out aggressively. Neither has AID developed adequate criteria for identifying countries economically capable of accelerating repayment of outstanding concessional loans.

A 1977 amendment to Public Law 480, requires the Secretary of Agriculture to determine that adequate storage facilities are available and that U.S. food aid will not be a substantial disincentive to domestic production in the recipient country. Although these determinations were being made, at selected U.S.

overseas missions they were inadequately supported by analytical documentation. The Agency for International Development needs to make a greater effort to insure that the determinations are supported by adequate analysis and thus insure that the intent of the legislation is achieved.

Recommendations: The AID Administrator should (1) define the role and authority of geographic Bureau Controllers, justify their grade levels, and ascertain their staffing requirements, (2) institute a policy which would apply Washington oversight controls over missions unable to control administration of their missions because of staff turnover, personnel absences, or staff shortages, (3) develop policies and procedures to minimize the negative effect of staff turnover, staff absences, and failure to have knowledgeable personnel at missions at all times, (4) require that established travel regulations are implemented uniformly worldwide, (5) intensify training for project officers in the overseas missions to assure that contract and grant procedures can be properly applied, (6) require close monitoring of the accelerated loan repayment policy, (7) encourage a dialogue relative to seeking early repayment of concessional loans made to European countries by predecessor agencies, (8) require that close monitoring be maintained over efforts made at overseas posts to support full adherence with the provisions of Public Law 95-88, amending Public Law 480, and (9) develop guidelines to help missions determine what constitutes adequate storage facilities for comparison with less-developed countries' actual inventory of storage facilities.

AID's June 22, 1979, comments were favorable to the overall report and cited actions being, or to be, taken on the recommendations. It cast some doubt, however, as to its ability to make all the recommended improvements because of staffing limitations and the geographic spread of its operations.

4. Changes Needed in the Administration of the Overseas Food Donation Program. ID-79-25, 10/15/79

SUMMARY:

This report assessed the performance of the U.S. Public Law 480, Title II food donation program abroad in achieving the congressional objectives of assisting the needier countries and people and of contributing to the development process. The "New Directions" foreign assistance legislation of 1973 mandates that U.S. aid be

used for programs aimed directly at improving the lives of the poorest people in the poorest countries.

GAO surveyed six countries and found that congressional priorities were not always being met. Shortcomings in the voluntary-agency and host-country storage, transport, and distribution networks and commodity availability restricted the program. In addition, the program was not coordinated with the U.S. development assistance program. The study showed that in the existing management arrangements, the Agency for International Development (AID), the Department of Agriculture, and the Office of Management and Budget shared most operational decisionmaking authority. This system was found to fragment the authority of AID to conduct the program, to cloud accountability for the use of Title II monies, and to inhibit accomplishment of the "New Directions" mandates. A recently enacted Title III to Public Law 480, which provides for partial crediting of payments for U.S. agricultural commodities in exchange for arrangements to apply equivalent amounts of currency to agreed-upon development projects, was reviewed but not included in formal recommendations pending closer study. GAO concluded, however, that to maximize Title III's development contribution, it should also be planned, programmed, and implemented as an integral part of the foreign assistance program.

Recommendations: Legislation should be enacted to centralize authority for Title II in AID and its new umbrella organization, the International Development Cooperation Agency (IDCA).

Whether or not program responsibility is transferred to IDCA/AID, the Administrator of AID should (1) require that Title II be planned and programmed as an integral part of each country's assistance program, (2) establish a long-range planning and programming system to direct more food aid away from advanced countries and expand the program in poorer countries, (3) develop better means of identifying where and who the neediest people are in each country and focus food on them, and (4) work with the voluntary agencies and host governments to build up the necessary country-level infrastructures that will be required to support expanded food aid programs in the poorer countries.

UPDATE:

The executive branch agencies do not agree with GAO's proposals to transfer program responsibility to

IDCA/AID. They see little to be gained by transferring authority and responsibility for these programs, and they argue that the current interagency system is working well and protects the interests of each agency.

The IDCA/AID response, January 9, 1980, indicated that IDCA had begun a review of several aspects of the Public Law 480 program including GAO's proposal for legislation to centralize authority and responsibility for Title II under IDCA/AID. In addition, the Agency reported that various steps have been taken to improve the Title II food donation program along the lines suggested in GAO's recommendations.

GAO's report, "Coordinating U.S. Development Assistance: Problems Facing the International Development Cooperation Agency," ID-80-13, February 1, 1980, contains a further analysis of the organizational structure for managing Public Law 480 programs.

REPORTS RELATED TO THE ABOVE PROVISIONS

1. Hungry Nations Need To Reduce Food Losses Caused by Storage, Spillage, and Spoilage. ID-76-65, 11/1/76

SUMMARY:

Developing countries urgently need more food to meet current and projected needs. To alleviate the criticalness of the present and future food situation, emphasis has been placed on

--reducing future demand by slowing population growth and

--increasing food supplies by increasing production.

A third vital area--increasing food availability by effective complementary measures to reduce the loss of food after harvest--has not been adequately emphasized.

In developing countries, spillage, contamination, and deterioration after harvest, waste food that is urgently needed to abate hunger and malnutrition. The potential for closing the food gap by reducing such losses has been reported for a number of years by national and international organizations. Because of many variables, estimates of developing countries' food losses are uncertain. Some authorities believe, however, that if grain losses could be reduced by 50 percent, additional food would result to make the diet of 500

million people adequate in total calories. Aid donors have put billions of dollars into developing countries' food production systems, but food loss reduction measures have not been adequately identified and implemented under either the U.S. or international programs. More effective programs to improve the handling, storage, and preservation of food products are essential not only because of existing malnutrition but also because of projected increases in food demand. The world population, now about 4 billion, is projected at 6 or 7 billion for the year 2000, and the estimated 500 million hungry people may increase to 1 billion. Large production increases are required to feed the spiraling populations, and food losses will multiply unless developing countries and aid donors concentrate on establishing and maintaining adequate facilities and handling practices. Appeals were made at the 1974 World Food Conference to reduce food losses. Also, in September 1975, the Secretary of State told the U.N. General Assembly that investment in better storage and pesticides could prevent enough food losses to match the total of all food assistance worldwide. He urged that post-harvest losses be cut in half by 1985 and that a comprehensive program be developed to achieve this. The U.N. General Assembly, and subsequently the November 1975 biennial Conference of the Food and Agriculture Organization, adopted the goal suggested by the Secretary of State. The Food and Agriculture Organization, however, did not allocate additional funds for this purpose.

Recommendations: GAO recommended that the Administrator, Agency for International Development, put more emphasis on food preservation as part of its agricultural assistance programs for developing countries.

Likewise, the Secretaries of State, Agriculture, and the Treasury and the Administrator, Agency for International Development, should stimulate concerted actions by developing countries and donor countries and institutions to

- reduce post-harvest losses,
- make loss reduction measures an integral part of programs to increase production,
- establish an effective mechanism for coordinating loss reduction actions by aid donors, and
- lay the groundwork for a future assessment of progress toward reducing losses.

UPDATE:

The U.S. agencies agreed with the thrust of GAO's report and recommendations, and they indicated that actions would be taken.

While the full extent of actions the agencies have taken are not readily apparent, the congressional presentations do show that loss-reduction projects have been initiated. Positive action programs over the long term will be required, however, to substantially reduce post-harvest food losses. These measures will require a concerted effort, motivated by a sense of urgency, by developing countries and aid donors. Such reductions should increase food availability and conserve production investments, including energy, environmental, fertilizer, labor, time, and money.

2. The U.S. Should Play a Greater Role in the Food and Agriculture Organization of the United Nations. ID-77-13, 5/16/77

SUMMARY:

This report discusses the growth in U.S. financial support to the Food and Agriculture Organization (FAO) and analyzes some specific problems dealing with (1) the clarity of U.S. objectives, (2) the adequacy of program/budget presentation and review, (3) the scope and quality of program evaluation, and (4) the trend toward decentralization of technical cooperation programs.

Progress has been made in implementing GAO's 1969 recommendations to the Departments of State and Agriculture, which are primarily responsible for administering U.S. participation in the FAO, but more specific improvements are needed. The 1976 statement of U.S. objectives is broad, and neither identifies U.S. interests in terms of priorities nor relates U.S. goals to specific real or potential FAO programs. FAO's improved programing and budgeting systems still do not provide sufficient information to permit effective assessment of the relationships between the regular programs and the extrabudgetary development activities. Present FAO attempts to streamline the process will further reduce the information available to the governing bodies, which focus their review primarily on program increases and shifts of emphasis. The budget review process is long and unwieldy, and the budget documents are nonspecific and hard to understand. Evaluation of programs and activities is neither

systematic nor comprehensive, and the member governments are not provided sufficient information to judge the effectiveness of program administration. FAO plans to fund a development program with budget funds rather than with voluntary contributions and to decentralize its operations.

Recommendations: To improve U.S. administration, GAO recommends that the President clarify the Secretary of State's responsibility for directing executive branch efforts. The Secretary should define precise U.S. objectives in the Organization and delineate functions and responsibilities of each U.S. agency, particularly the Agency for International Development.

GAO recommends that the United States express concern over the Organization's recent inclusion of developmental activities in its assessed budget and reiterate U.S. policy that U.N. development activities should be financed by voluntary contributions and centrally programmed through the U.N. Development Program.

UPDATE:

U.S. agencies for the most part accepted the recommendations. State has a reservation about the need to completely divorce FAO's Technical Cooperation Program from its regular program. Agriculture does not accept the recommendation that State should head the FAO Interagency Committee. Instead they suggest a dual chairmanship with State. The Agency for International Development will work toward achieving the recommendations of the report to the best of its ability given its limited resources.

GAO's report, "Coordinating U.S. Development Assistance: Problems Facing the International Development Cooperation Agency," ID-80-13, February 1, 1980, discusses changes in the U.S. organizational structure for managing U.S. participation in international organizations. At that time FAO matters were the responsibility of an Interagency Working Group for International Organizations in Food and Agriculture, chaired by Agriculture, under the Development Coordination Committee's Subcommittee on International Organizations, chaired by State.

3. Need To Consider Population Growth in Sahel Development Planning. ID-77-40, 6/17/77

SUMMARY:

As part of a review of population growth and development interrelationships, an examination was performed of the extent to which population growth has been considered in the multibillion dollar, long-range Sahel development program. Initial observations and fieldwork generated concerns that population growth was not being given adequate attention in spite of its effects on goals of reducing consequences of droughts, achieving food self-sufficiency, and accelerating social and economic development. Population in the Sahelian states of Chad, Mali, Mauritania, Niger, Senegal, and Upper Volta totals about 27 million, and the annual growth rate is estimated to be almost 2.4 percent. The growth in population has been cited as a factor in the diminishing capability of these nations to maintain even their low standard of living. Anticipated lowering of death rates will have an effect of further increasing population growth rates. GAO expressed its beliefs to the Agency for International Development (AID) that immediate action was necessary. AID was planning corrective action which will contribute to sound development planning. A more detailed assessment of population growth-development interrelationships is included in GAO's report, "Reducing Population Growth Through Social and Economic Change in Developing Countries: A New Direction for U.S. Assistance," ID-78-6, April 5, 1978.

4. Impact Of Population Assistance to an African Country. ID-77-3, 6/23/77

SUMMARY:

Rapid population growth combined with poor social and economic conditions is hindering development efforts in many countries. African birthrates are among the highest in the world, and population growth rates are expected to increase as improved health care lowers mortality. Ghana is one African nation that has recognized its population problem. It has promulgated an official population policy and has established a family-planning program. The United States has provided about 75 percent of the \$15.9 million of population assistance to Ghana. Ghana's program, however, has reached only a small percentage of the population, primarily urban.

Recommendations: In planning development assistance for Ghana and other African nations, the Administrator of the Agency for International Development should encourage governments, and provide support when necessary, to examine the relationships between social and economic change and fertility; help governments to establish population policies which encourage the types of social and economic development identified as having a maximum impact on fertility; consider the impact on population growth of planned U.S. development projects and work to integrate population and development projects; and take actions to encourage the establishment of an effective, systematic coordinating mechanism for population assistance in Ghana and in other countries where none existed.

The Agency for International Development finds the report to be an excellent description and analysis of the population situation in Ghana and commends GAO for its initiative in examining the importance of population to development.

5. Restrictions on Using More Fertilizer for Food Crops in Developing Countries. ID-77-6, 7/5/77

SUMMARY:

Developing countries could produce more food by using more fertilizer. Although steps have been taken to produce more fertilizer, its use is often hindered by the individual countries' policies and institutional constraints. Farmers in many developing countries find it difficult to use more fertilizer due to such governmental policies as the maintenance of artificially low food prices for urban populations which discourage farmers from using high cost agricultural products. Fertilizer use should be considered along with other methods of increasing crop yield and as part of a needed effort to increase food crops in developing countries.

Recommendations: The Secretaries of State, Agriculture, and the Treasury and the Administrator of the Agency for International Development should work for concerted action by all countries and institutions that provide fertilizer assistance to (1) induce recipient Governments to revise policies which act as constraints and to adopt a strategy to increase the use of fertilizer on food crops, and (2) incorporate, where appropriate, a requirement in new agreements with recipient countries for food, financial, and technical assistance that affirmative action be taken by developing countries to

remove constraints to greater agricultural production, including constraints to increasing the use of fertilizer.

The U.S. agencies were positive on working toward removal of constraints and adoption of agricultural strategies. They were opposed, however, to incorporating into new agreements where appropriate a requirement that developing countries remove constraints to greater agricultural production and use of fertilizer.

6. Impact of Population Assistance to an Asian Country.
ID-77-10, 7/12/77

SUMMARY:

The population growth rate in Pakistan is one of the highest in the world and constitutes one of the country's most serious problems. Although about \$164 million has been spent on birth control programs since 1960, including about \$59 million in U.S. assistance, Pakistan's rate of growth is still 3 percent. The social and cultural norms of a largely subsistence-level society and the need for greater government support were the chief program difficulties. Little attention was paid to the incentives necessary to cause couples to want smaller families. Further, the Agency for International Development (AID) mistakenly assumed that there was a latent demand in the society for family planning services.

Recommendations: AID should reassess the advisability of continuing assistance to developing countries (1) which do not have a management system and an information system in existence (or under development) sufficient to reasonably assure that program objectives are being met or (2) whose government and institutions have not demonstrated a willingness to carry out the program.

AID should develop and implement additional and innovative approaches to population problems in all the developing countries through such measures as the AID-sponsored research planned on the determinants of fertility in Pakistan. The contractor's evaluation of the Pakistan program should be disseminated to all contraceptive program officers and used to formulate any program to lower fertility. Greater coordination among volunteer organizations and donors of population assistance should be encouraged.

The Agency for International Development agrees with recommendations. In support of the general emphasis of the report, and of AID-sponsored evaluations on the need to improve the programs, AID has approved a Population Strategy Paper for Pakistan which calls for a carefully focused approach of providing support only to specific components of a program for which the Government of Pakistan has prepared well-developed plans. AID will use the lessons of the Pakistan program in its future program.

7. Credit Programs for Small Farmers in Latin America Can Be Improved. ID-77-1, 12/9/77

SUMMARY:

Providing credit to small farmers is one way the Agency for International Development has implemented the congressional mandate to improve the lives of the poorest people in developing countries. About \$54 million of credit assistance has been provided yearly to rural credit programs, two-thirds of which has gone to Latin America. The objective, in tandem with other forms of assistance, is to increase the food production and income of small farmers by providing credit to small-farm operators who are considered too high a risk to receive credit from the traditional banking system.

The Agency has been successful in providing credit to small farmers, but more can be done by better identifying target groups and by developing consistent and more appropriate criteria. Economic, social, and other conditions vary so widely from country to country that rigid guidelines are not practical and some degree of flexibility is needed. GAO believes, however, that broadly defined target groups and criteria should be refined so that the Agency can better meet its objective of getting credit down to more small farmers and at the same time be more responsive to the overall objective of assisting the poorest majorities.

Recommendations: The Agency should follow up on its recent initiatives to delineate more clearly small-farmer target groups and to see that the definitions of target groups in future small-farmer credit programs is consistent with the Agency's overall policy and poverty benchmarks.

The Agency expressed its view that it was carrying out the intent of the recommendations.

8. U.S. Participation in International Agricultural Research. ID-77-55, 1/27/78

SUMMARY:

The Agency for International Development (AID) is a major contributor to the international agricultural research centers which have received much attention as a result of the development of high-yield varieties of rice and wheat. It also supports agricultural research

of benefit to developing countries through U.S. universities and other institutions. This report examines AID's support of the international centers and its research strategy and makes recommendations for improved management of the program.

AID provides financing for up to 25 percent of the core activities for those research centers sponsored by the Consultative Group on International Agricultural Research (CGIAR), a multi-donor consortium formed in 1971 to finance agricultural research for developing countries. The Group projected its costs to considerably exceed \$100 million by 1980, in comparison with \$20 million in 1972, the first year of financing. In addition, AID's bureaus finance extra-budgetary special projects. and the Inter-American Development Bank contributes to the centers from the U.S.-owned Social Progress Trust Fund, which it administers. The total of these funds is obscure because of no consolidated reporting, and there is very little assurance that the various U.S. financing entities are unified in promoting U.S. objectives through the centers because of no central monitoring. AID is virtually the sole financial supporter of the core-programs of the International Fertilizer Development Center and the Asian Vegetable Research and Development Center. Other donors are reluctant to support these institutions for political reasons. AID has participated in the CGIAR with a very small staff and without the benefit of specific overall objectives and priorities. The rapid expansion, sharply rising costs, changing thrust of centers' activities, and other issues require that AID be prepared to identify, respond to, and take the lead in resolving them. Other AID research projects, such as those with U.S organizations, result primarily from unsolicited proposals rather than from specifically identified research needs and established relative priorities which would enable a sharper concentration of limited funding. Projects also need to be more critically evaluated as to whether they are suitable for bilateral funding.

Recommendations: AID should

- identify specific problems for U.S. financing, establish their relative priority, and determine those problems that should be pursued through international research institutes or similar means rather than bilaterally;

- take the lead in identifying and dealing with major issues affecting the centers and AID as a major donor;
- better coordinate and monitor all U.S. participation in the international centers and disclose the full extent of U.S. participation;
- disclose fully the limited prospect of broadened international financial support for the vegetable center in Taiwan and the fertilizer center in Alabama.

AID said that it generally agrees with most of the specific recommendations and is taking or will take steps to implement them. It is moving through an evolutionary process, toward the definition of an agricultural development research strategy in the context of an agricultural development strategy. In the congressional presentation, AID will expand its coverage of the international centers and give fuller disclosure of its participation therein.

9. The Sahel Development Program--Progress and Constraints. ID-78-18, 3/29/78

SUMMARY:

The Agency for International Development (AID) is participating in an international, long-term development effort to help eight countries (Mauritania, Mali, Chad, Senegal, Niger, Upper Volta, and Gambia, and the Cape Verde Islands) in Sahelian Africa to repair the damage of the 1968-1973 drought and establish some measure of food self-sufficiency and economic improvement. An international planning and coordinating mechanism, called the Club du Sahel, was formed to develop an overall development strategy and plan for the region. This report outlines the progress made by the Club du Sahel and examines some of the problems which remain and the status of U.S. participation in the overall development process.

The Club has achieved some measure of success, but improvements could be made by (1) strengthening the Club's development program, (2) clarifying the structure for managing development in the Sahel, (3) improving the Club's management capability, (4) dealing with some of the basic constraints impeding effective aid delivery, such as training needs and local cost financing, (5) ensuring more

effective use of funds allocated for study and research purposes, (6) defining the interrelationships between the Agency's development program and the overall development effort, and (7) clarifying the Agency's policy of financing needed infrastructure projects.

Recommendations: The Administrator, Agency for International Development, working together with involved donors and nations, should take the following measures.

- A management system should be established for disseminating essential data about on-going development activities and providing for the review and evaluation of Club-sponsored programs and projects.
- The Club's development program should be supplemented with (1) an analysis of development problems and policy issues not yet explicitly addressed, (2) a method of identifying and giving priorities to projects with the greatest potential development, and (3) an annual work plan setting forth short- and long-term actions to be taken.
- An overall management plan should be developed outlining the management for the Sahel development program; national and regional development planning and management capabilities should be strengthened and development coordination in the region should be improved.
- Action should be taken on the region's training shortfall, and its financial inability to pay the local and recurrent investment costs of development projects.
- A special effort should be made to determine that the Agency's projects are consistent with the Sahel development strategy and effectively complement it and the development efforts of other participants.
- The Agency should inform the Congress (1) of the amount and type of infrastructure contemplated under the overall Sahel development program and (2) the role the Agency proposes to play financing these infrastructure projects.

--Action should be taken to require future studies and research projects be directly associated with development progress.

UPDATE:

The Agency generally agreed with GAO's recommendations, and the congressional committees used the report in their fiscal 1979 deliberations. See "U.S. Development Assistance to the Sahel--Progress and Problems," ID-79-9, March 29, 1979, for a further GAO analysis.

10. Reducing Population Growth Through Social and Economic Change in Developing Countries: A New Direction for U.S. Assistance. ID-78-6, 4/5/78

SUMMARY:

Over the past 12 years, the Congress has made more than \$1 billion available for population programs in developing countries. A major part of these funds has been used to finance population programs of the United Nations, private international organizations, and universities. Although there has been a growing awareness of population problems and some progress in controlling them, birthrates must fall faster in order to achieve stability in world population. In the countries studied, contraceptive use was much lower than that considered necessary for population stability. The Agency for International Development (AID) has focused on providing family planning information and services, but it has not given sufficient emphasis to studies about linkages between fertility and development. AID has revised its population policy to place greater emphasis on social and economic change to influence birthrates. This policy, and congressional provisions requiring that development projects be designed to motivate smaller families, have not yet been implemented. Some constraints have been lack of an entity dedicated to integrating population and development assistance, the variety of views within AID, and insufficient development of organizational and financial arrangements.

Recommendations: The Administrator of AID should establish an organizational structure under leadership that will emphasize integrating population and development assistance and developing knowledge needed to carry out such an approach. Development and use of mission-level expertise is essential for this purpose. International, private, and voluntary

organizations should be encouraged to consider population and development assistance relationships and the need to plan programs and projects accordingly. In the Sahel development, the Administrator of AID should incorporate considerations of population growth-development interrelationships, support projects associated with reduced fertility, and encourage family planning in the context of maternal and child health programs.

AID reiterated its agreement with the report's principal conclusions. It added that there is a need to differentiate between two different aspects of a population policy. One relates to structuring various types of development assistance to influence reduction in family size. The second deals with adding to the earlier emphasis in availability of family planning services, and intensified attention to the demand side.

11. Population Growth Problem in Developing Countries: Coordinated Assistance Essential. ID-78-54, 12/29/78

SUMMARY:

Rapid population growth in developing countries impedes efforts to improve the quality of life. Many governmental, international, and private and voluntary organizations provide population assistance to an ever-increasing number of countries. Cumulative assistance could now total about \$2 billion; the United States alone provided about \$1.2 billion in the 1965-78 period.

Because of the complexity of the problem and the many organizations involved, systematic coordination of assistance is essential to ensure that programs are as efficient and effective as possible. Each recipient developing country's government and the major donors should agree on a long-range plan or strategy, effective coordinating leadership, and an appropriate division of program responsibilities. Such a division of responsibilities among the major donors, and specialization on the part of others providing assistance, will result in improved programs and also provide a mechanism for substantial cost savings by consolidating requirements for procurement of supplies and services. The population problem should be assessed in relation to the broad issue of development. There is a growing recognition that the availability of family planning services in an unchanged socioeconomic

environment may not lead to their acceptance and to lowered birthrates. Integrating population and development planning and programs provides opportunities to influence family-size decisions and increases the need for coordination. There is no clear division of responsibility and no formal understanding regarding population assistance among the three major donor organizations--the Agency for International Development (the primary conduit for U.S. funds), the United Nations Fund for Population Activities, and the World Bank. Although officials recognize the need for effective coordination, collaboration among the three has occurred largely on an ad hoc country-specific basis. In-country coordination consisted for the most part, and in some countries solely, of informal discussions among field representatives. Most of the field representatives and nongovernment organization officials seemed to feel these exchanges fulfilled their needs.

Recommendations: The Agency for International Development should work with the other major contributors and the developing countries to improve coordination; to reach agreement on leadership, strategy, and program responsibility; and to make sure that all participants are adequately informed of each other's activities.

The Agency for International Development reiterated its agreement in general with the report's basic thrust and with its recommendations. The Agency cautioned, however, that it should not be assumed that a single donor organization can completely erase problems that reflect complex interrelationships between multiple donors and host governments. The Agency will work toward implementing the report's recommendations, emphasizing that the primary responsibility for coordination rests at the country level, that the type of coordination must be tailored on a country-by-country basis, and that donor agencies must also coordinate their population policies and programs on a central level.

12. Agency for International Development Needs To Strengthen Its Management of Study, Research, and Evaluation Activities. ID-79-13, 2/12/79

SUMMARY:

The Agency for International Development (AID) uses the services of the private sector in carrying out its assistance programs. Studies, research, and evaluations are specifically authorized under various provisions of the Foreign Assistance Act of 1961, as amended. During fiscal years 1977 and 1978, AID obligated \$109 million and \$90 million for services from contractors. The amount projected for fiscal year 1979 was \$105 million. Some categories of Agency-funded studies and research were not included in the AID listing for fiscal year 1977, including host-country technical services, support of the international agricultural research centers, and research components of development projects. AID cannot readily determine the full amount it spends for studies, research, and evaluation because its management reporting systems are not designed to provide this information. The Agency does not have an effective system for determining and using the extensive study and research previously done by AID and others or for using outside information. There is limited communication and coordination between the AID central and regional bureaus even though they are often involved in study and research in the same functional development areas. A systematic method for collecting and disseminating research information would have a great impact on AID programs.

Recommendations: The Administrator of AID should require that the Agency's management information system identify research and study efforts and their costs; require responsible officers to certify that available information has been obtained, analyzed, and considered before contracts or grants for studies and research are authorized; expand coordination and information exchange within AID and with other Federal agencies and donors; act to assure that Agency managers exercise surveillance over contractor activities; and require that appropriate information on AID-funded studies and research be sent to the National Technical Information Service and the Smithsonian Science Information Exchange.

13. U.S. Development Assistance to the Sahel--Progress and Problems. ID-79-9, 3/29/79

SUMMARY:

The Agency for International Development (AID) is participating in a long-term effort to help the peoples of eight Central and West African countries in the Sahel region protect themselves from droughts and other vagaries of nature. Overall programming is promoted by the Club du Sahel, an organization of the Sahel countries, and by major international development institutions. Since 1974, AID has provided \$374 million in assistance, of which \$135 million was for food assistance. Other donors have committed \$3.3 billion.

The economies of the Sahel countries are among the most underdeveloped in the world. As a result, development in the Sahel depends greatly on such limiting factors as capacities of the countries to absorb development projects, the countries' abilities to amass domestic resources required for investment and public expenditures, technical problems affecting the implementation of development activities, and the rate at which people are willing to allow development efforts. AID's regional development strategy is outdated, and it has not yet established an effective field organizational arrangement. Basic design system changes are needed to decrease the time between authorization and project implementation. The Public Law 480 program can help the Sahel countries significantly in achieving food self-sufficiency. AID needs to use food assistance more effectively in the long-term development of the Sahel.

Recommendations: The Administrator of AID should emphasize the implementation phase of development assistance, establish procedures to shorten the design and approval process and provide for more timely initiation of development projects, give special consideration to the methods for managing regional development projects and defining the relationships between regional management systems and bilateral country missions, use food assistance allocated to the Sahel countries more effectively, and more effectively cooperate with the Peace Corps.

The Peace Corps agreed with the substance of the report findings and said that in response to the recommendations it has (1) systematized the exchange of programming and planning information, (2) improved the flow of communication, both verbal and written with AID, (3) established with AID a formal liaison committee to monitor and report on field progress, and (4) taken steps to improve collaboration with AID in project approval and implementation processes.

The Agency for International Development said that the report is a helpful analysis of the progress of the Sahel Development Program. It agreed with the principal recommendations dealing with absorption capacity, project implementation, development strategy design procedures, and P.L. 480 administration. AID also advised that it is working actively to improve collaboration with the Peace Corps, both in the sharing of information on country plans and in the actual implementation of projects.

14. Agricultural Trade: Issues Affecting U.S. Agricultural Policy. CED-79-130, 9/14/79

SUMMARY:

An examination of the issues arising from increased U.S. agricultural trade focused on the unexpected effects this trade might have on the well-being of U.S. trading partners. U.S. export which are sold at a relatively inexpensive price may help subsidize the agricultural development in some developing nations. The United States imports about \$14.8 billion in agricultural products yearly. While the food imports offer the domestic consumer a greater seasonal variety at competitive or lower prices, they may threaten the viability of certain U.S. farmers in addition to contributing income inequities within the exporting countries. U.S. agricultural trade with Mexico provides examples of how some of these issues are manifested. An export plan to develop a large agricultural district in Baja California would give Mexico the capacity to grow produce the year round and place Mexico in more direct competition with U.S. producers, particularly in California. Mexico's inequitable income distribution is a manifestation of its agricultural development policies. Only 4.5 percent of Mexico's farmers control 35 percent of the irrigated farmland. U.S. agricultural plans are interrelated with a variety of other interests: grain sales have provided income with which the United States has purchased oil and the fruit and vegetable

and grain trade between Mexico and the United States is related to U.S.-Mexican oil negotiations. The development of trading patterns such as these raises a fundamental issue about the course of U.S. agriculture in terms of the domestic farm structure: whether production of various foods should be further concentrated in specific geographical areas or whether various U.S. regions should develop greater self-sufficiency in a variety of food systems, since the location of crop production determines the structure of food marketing. Any change to U.S. agricultural policy should be analyzed carefully to determine its probable domestic and foreign trade impacts.

15. World Hunger and Malnutrition Continue: Slow Progress in Carrying Out World Food Conference Objectives.
ID-80-12, 1/11/80

SUMMARY:

This report

- examines U.S. and international attempts to act on worldwide resolves regarding global hunger,
- seeks to raise the visibility and priority of crucial food and hunger issues, and
- offers an independent perspective on problems and progress in carrying out 1974 World Food Conference resolutions.

Since the 1974 Food Conference in Rome, a great deal has been accomplished and much remains to be done. Despite better weather and harvest in recent years, global hunger and malnutrition persist. Nations and international organizations have applied substantial amounts of money and resources of food production and agricultural development. Yet, increases in food production have not reached the modest goals set at Rome. Attitudes of complacency and lack of political will are evident; calls to reduce military expenditures have not been successful; continued population growth has worsened the balance between food supplies and population growth; and efforts to include women in food and development projects have been minimal. Moreover, a unique situation seems to exist wherein available funds tend to exceed suitable projects. The United States traditionally responds generously to calls for emergency food relief. However, from a longer range development perspective, GAO is convinced

that the issue of world hunger and malnutrition is no longer as visible or as much a priority within the U.S. Government and the world community as it was at the time of the 1974 World Food Conference. U.S. and world-wide efforts, moreover, need to move more expeditiously to reflect a greater sense of urgency on global food problems.

Recommendations: To improve the U.S. response to world hunger, GAO recommends that

- a small, high-level office be established to lead and coordinate U.S. efforts in overcoming world hunger and malnutrition;
- U.S. agency officials increase commitments to reduce world hunger especially through greater cooperation and accommodation with developing country and international organization counterparts; and
- greater efforts be devoted to assist countries in designing suitable, high priority, food and agricultural development projects.

The Department of Agriculture, the International Development Cooperation Agency and the Agency for International Development, and the Office of Management and Budget do not agree with GAO's proposal that a small, high-level office be established to lead and coordinate U.S. efforts in overcoming world hunger and malnutrition. They argue that this is a function of the International Development Cooperation Agency, established October 1, 1979, and that it should be given an opportunity to set in motion the mechanisms which will best assure coherence and a coordinated U.S. response to the problems of world hunger and malnutrition.

The agencies were supportive of the other recommendations and said that their current programs were in line with the suggested actions.

16. Coordinating U.S. Development Assistance: Problems Facing the International Development Cooperation Agency. ID-80-13, 2/1/80

SUMMARY:

This report is concerned with the coordination of U.S. policies and programs relating to U.S. bilateral

development assistance programs, U.S. food aid, U.S. participation in the multilateral development banks, the development activities of international organizations, and nonaid resource transfers. It attempts to (1) define the coordination problem, (2) assess the effectiveness of the Development Coordination Committee, and (3) appraise the prospects of the new International Development Cooperation Agency (IDCA).

The creation of the International Development Agency represents progress toward establishment of an independent coordinator, but it remains uncertain whether the Agency can establish a separate, independent identity. In approving the Agency reorganization plan, the President opted for an organization of minimal integration, scope, and authority. The Agency's Director does, however, have lead responsibility for U.S. development policy in specified international organizations and for development policy toward multilateral banks. Treasury retains the ultimate authority to instruct U.S. representatives to the banks but may override Agency advice only for "compelling" financial or legislative reasons. Creation of the Agency does not significantly affect the Government's ability to coordinate policies and programs on a country rather than a project basis nor does it much affect the development coordinator's ability to influence nonaid issues. Overall, the new organizational arrangements could effect some improvement in the authority of the development coordinator, but his power will remain quite limited, except over the Agency for International Development and the Institute for Scientific and Technological Cooperation. The quality of performance of the Agency Director and his staff will therefore be critical to the success of the new organization.

Recommendations: GAO made a number of recommendations designed to enhance the agency's effectiveness and to improve its prospects for success. One of these recommendations was for clarifying the lines of authority for the Public Law 480 food aid program.

The purposes of Public Law 480 have been gradually changing, while administrative responsibility for the program remains essentially unchanged. The tendency has been to strengthen the capabilities of the agency historically responsible for the program for administering the reoriented program rather than to shift responsibility for the program to the development agency. In combination with the relative weakening of the Agency for International Development

(AID), the consequence has been the dispersion of authority for development activities.

The prospects for change in basic responsibilities for Titles I and II of Public Law 480 are, for the foreseeable future, uncertain. In a separate report, "Changes Needed in the Administration of the Overseas Food Donation Program" (ID-79-25, Oct. 15, 1979), GAO recommended that full authority and responsibility for Title II be transferred to AID, with procurement and shipping functions still performed by the Department of Agriculture. With respect to Title III, existing arrangements are fairly widely recognized to be unsatisfactory and a competition continues between Agriculture and AID for control of programming. This fluidity does offer some possibility for reopening the President's recent decision to continue the status quo.

Accordingly, GAO recommends to the Director of the Office of Management and Budget that IDCA/AID have final responsibility--not subject to veto by other agencies to (1) review and approve the multiyear Title III proposals submitted by eligible countries, and (2) monitor program implementation. With respect to other aspects of Title III, GAO reserves judgment pending further study, though it has suggested that full responsibility for all aspects of Title III be lodged in IDCA/AID.

These arrangements would continue to recognize the multiple purposes of Public Law 480. They would also recognize that while Titles I and III are closely related, the development agency should have primary responsibility for development programming.

Neither Agriculture nor IDCA concurred with this recommendation. IDCA said it is reviewing ways to operationally enhance the developmental impact of Public Law 480 and will have recommendations on the best arrangements for managing the program after that review is completed. Agriculture argued that AID lacked necessary qualified staff, that separation of the decisionmaking process for Titles I and III could lead to conflicting decisions, that the current interagency system meets basic coordination needs, and that delegation of Title III authority to IDCA could weaken political support for Public Law 480.

17. Search for Options in the Troubled Food-For-Peace Program in Zaire. ID-80-25, 2/22/80

SUMMARY:

In 1976, during the wake of serious deterioration in the Zaire economy, the United States increased its food assistance to this troubled country. Public Law 480 (the Agricultural Trade Development and Assistance Act of 1954, as amended) is the principal vehicle for providing U.S. food assistance to friendly countries. Since 1976, about \$66.8 million has been programmed under Title I which provides for the concessional sale of agricultural commodities and about \$7.3 million under Title II which authorizes food donations to meet famine or other urgent requirements.

Serious problems in controlling and monitoring the receipt and distribution of food commodities--especially with rice--and in controlling the receipt and disbursement of Zaire local currency generated by the sale of U.S.-provided commodities prompted consideration of program alternatives. GAO discussed with U.S. officials various program options, including substitution of wheat and other commodities for rice, auctioning of rice, expanding the use of religious and other groups under Title I, and transferring rice from Title I to a Title II program. No simple answers exist. The vastness of Zaire, the lack of adequate storage and transportation facilities, the economic conditions which have fostered an extensive black market, along with the limited capability of the U.S. Mission to monitor the program, raise serious questions about the extent to which program abuses and commodity losses can be controlled. It is questionable whether food can be provided at less-than-market prices in the Zaire food-scarce situation without abuses, although continued monitoring may help to control the extent of abuse.

The report did not make any recommendations, but it raised the following questions for congressional and agencies' deliberations.

--To what extent can abuses be controlled or tolerated in the context of U.S. objectives?

--To what extent should the United States be involved in planning, implementing, and monitoring commodity distribution under Title I,

and is it willing to bear the cost of such involvement?

--Can the United States achieve, in concert with other donors, a more coordinated approach to defining specific food needs in Zaire and the most appropriate means to distribute this food?

--Can the United States develop, and successfully promote, more definitive standards of performance for and means to assist the Government of Zaire to better manage commodity distribution and the use of counterpart funds?

GAO did not obtain formal comments on the report from the concerned agencies, but discussed its contents with program officials of the Departments of Agriculture and State and of the Agency for International Development. Their comments were generally of a technical nature and were used in preparing the report.

18. Donor Coordination and Project Monitoring Practices--A Foreign Economic Assistance Project Study. ID-80-34, 4/24/80

SUMMARY:

This report assessed an Agency for International Development (AID) Maternal Child Health/Family Planning project in Kenya. It discusses the project results due to AID planning, monitoring, evaluation, and general management and the extent of coordination by donors. Economic assistance to developing countries, today, comes from many international sources, public and private. It has been recognized that the contributions of these donors need to be coordinated in order to achieve maximum benefits for the recipient population. To date, coordination at the planning and policy levels has been done well, but the leadership needed at the project level to continue effective coordination during implementation is lacking. Project achievements need to be monitored continually during implementation so that necessary changes can be made to meet program goals. In addition, lessons learned from better project monitoring can benefit managers of other projects and planners of future projects. Currently, project monitoring policies emphasize surveillance of the input schedules and quantities instead of the results.

Recommendations: The International Development Cooperation Agency and AID should work with other donors and the recipient governments to establish a coordinating mechanism at the country level for implementing projects and programs.

AID should include output targets in project agreements, use annual evaluations to record progress in meeting output targets, and make refinements in its financial management of projects.

AID and the International Development Cooperation Agency agree with the principal thrusts of the report. They commented that in those projects which involve the input of several donors, effective coordination is important to the success of the project, and AID bears a responsibility to do its utmost to ensure that this coordination occurs. AID also recognizes the need to monitor project outputs carefully, to ensure agreement with the recipient of project targets, and to document modifications to those targets.

19. Cooperation in Agricultural Assistance: An Elusive Goal in Indonesia. ID-80-29, 6/11/80

SUMMARY:

This report assessed the nature and extent of foreign donor and recipient government cooperation in the agricultural development of Indonesia--a food deficit country. It examined current donor and host-country relationships in Indonesia and the factors behind the difficulties in achieving closer coordination and cooperation.

From 1970 to 1978, 17 members of the donor assistance consortium for Indonesia has provided the Indonesian Government with about \$10 billion in overall assistance. An additional \$1.9 billion was provided in 1979. Much of this assistance has been aimed at reducing the country's critical rice import dependency and developing the long-term food production potential. The need for donor cooperation in the development process is widely acknowledged, but achieving a cooperative donor effort focused on basic, priority needs have proved elusive in Indonesia. Setting specific priorities and programs for developing Indonesia's agricultural potential has proven difficult because the country's problems are complex, facts are often uncertain, and appropriate strategies are not always apparent. Particular uncertainties

are (1) the potential for continued significant increases in rice production, (2) the degree of Indonesian commitment to the promotion of nonrice food crops, (3) the appropriate emphasis for development of Indonesia's sparsely populated outer islands through transmigration programs, (4) the urgency of alleviating rural unemployment, and (5) Indonesia's ability to absorb projected assistance increases, given its serious shortages of trained personnel.

Recommendations: In view of (1) the need for close donor/host-government coordination for discussion of agricultural issues and for concerted planning, (2) the ineffectiveness of existing coordination arrangements in meeting this need, (3) the need for leadership in promoting such closer coordination, and (4) the position of the World Bank as the largest donor to Indonesia, GAO made the following recommendations.

U.S. agencies should pursue with World Bank officials the need for the Bank in Concert with other donors to

- seek a more active role in coordinating donor assistance programs;
- promote Indonesian efforts to achieve closer interagency and provincial cooperation, to more precisely define priorities, and to focus assistance toward those priority needs; and
- assess ways to improve Indonesia's absorptive capacity and base increases in future Bank program levels on substantive steps to reduce absorptive problems.

U.S. agencies also should

- promote early information sharing on multilateral development banks' activities so that U.S. officials will have time to evaluate the relationships between bank programs and U.S. bilateral programs,
- see that multilateral development bank loans undergo cross-program review to promote mutual reinforcement among various assistance efforts within specific countries, and

--promote among bilateral donors increased information sharing and participation in effective coordination.

The International Development Cooperation Agency and the Treasury Department disagreed with the recommendations to assess ways to improve Indonesia's absorptive capacity and base increases in future program levels on substantive steps to reduce absorptive problems. They did not object to a study of whether there is a problem.

TITLE XIII -- Food Stamp and Commodity
Distribution Programs

1301-1301 Provisions Relating to Food Stamp Program:

1. Testing Various Alternative Identification Requirements for Food Stamp Recipients. CED-77-53 and 54, 4/1/77

SUMMARY:

In June 1976 GAO proposed that the Department of Agriculture test several alternatives to strengthen the food stamp program's participant identification requirements as a means of reducing fraud. Alternatives included photo-identification cards, signing and countersigning food coupons, and perforating identification numbers into the coupons. In 1975 and 1976 the Food and Nutrition Service solicited comments from the States and the retail food industry on such proposals and concluded that because of negative comments, testing should be limited to issuance of photo-identification cards. The Service published proposed regulations to implement the photo-identification testing but withdrew them after the Department's Office of General Counsel advised that the Service had insufficient legislative authority to proceed.

In the two April 1977 reports, GAO brought this lack of authority to the attention of the appropriate congressional committees. GAO also recommended that before proceeding with its own project, the Service more thoroughly evaluate data from tests of food stamp photo-identification systems previously conducted in four States.

UPDATE:

The Food Stamp Act of 1977, a part of the Food and Agriculture Act of 1977, gave the Service explicit authority to conduct demonstration projects, such as those discussed above, and regulations for using this authority were published in November 1978. Service officials repeatedly said that they planned to look into the feasibility of a demonstration project on issuing photo-identification cards but pointed out that the project could not be implemented until other demonstration projects required by the 1977 Food Stamp Act had been undertaken. In January 1980 Service officials said that they planned to have a study of photo-identification and other coupon issuance system alternatives under way by June 1980. The study was to include photo-identification systems already in use in some locations. As of August 1980 the planned study had

not started and a new target date had not been established.

Also, legislation was introduced which would require all food stamp households (except those certified at home or by mail) to have photo-identification cards in areas with 50,000 or more inhabitants where the Secretary of Agriculture, after consultation with the Inspector General, finds that their use at coupon issuance would help protect program integrity.

2. Food Stamp Receipts--Who's Watching the Money?
CED-77-76, 6/15/77

SUMMARY:

Misuses and mishandling of over \$34 million in food stamp receipts went undetected for extended periods because neither the Food and Nutrition Service nor the States were effectively monitoring the agents who sold food stamps. Known major weaknesses in the monitoring system at both the Federal and State levels were allowed to continue for years without adequate efforts to correct them. Reported deposits were not verified; agents' depositing patterns were not monitored; and there was no followup when agents failed to submit required reports. The Service's computer-produced management reports, designed to identify problem agents, were not usable because they listed too many agents without problems, as well as agents with problems. Although some improvements have been made, much more needs to be done.

Recommendations: Several changes should be made in the accountability system to reduce the number of invalid exceptions on cash reconciliation and other reports and to improve the reports' reliability and usefulness for monitoring agent accountability. Regardless of the changes made in the accountability system, the Secretary of Agriculture should require the Service to provide the States and its regional offices with their respective sections of any management reports and other accountability-related reports prepared by the Service or others, disseminate regulations on the respective responsibilities of the States and the Service, and provide special help to States having the most serious problems in monitoring agent accountability.

UPDATE:

The Food Stamp Act of 1977, by eliminating the requirement that recipients pay for their food stamp

coupons, eliminated the problems of improper use of cash. However, food coupons, which are almost like cash, still must be properly accounted for.

The Food and Nutrition Service has taken satisfactory action on 10 of the specific recommendations and has initiated action on the remaining 2--getting agents to submit accurate and timely accountability reports and terminating agents having significant accountability problems.

3. The Food Stamp Program--Overissued Benefits Not Recovered and Fraud Not Punished. CED-77-112, 7/18/77

SUMMARY:

The Government is losing over half a billion dollars annually because of overissued food stamp benefits caused by errors, misrepresentation, and suspected fraud by recipients and by errors of local food stamp offices. For every \$100 of the more than \$5 billion annual benefits issued nationally, overissuances account for about \$12; only about 12 cents of that \$12 have been recovered. The eight local projects reviewed were doing little to identify and recover the value of these overissuances. At five of the eight projects, about half of the dollar value of the claims established for food stamp overissuances was classified as involving suspected fraud by recipients, but very few recipients were prosecuted or otherwise penalized.

Recommendations: The Congress should authorize the Secretary of Agriculture to allow the States to keep some portion of the money recovered from recipients of overissued benefits and to increase from 50 percent to 75 percent the Federal share of the administrative costs associated with processing the suspected fraud cases. The Congress should also authorize the Department of Agriculture, in consultation with the Department of Justice, to handle most suspected recipient fraud cases administratively rather than referring them for criminal prosecution. The Department of Agriculture should take a number of steps to make sure that States adequately identify and recover overissued food stamp benefits and punish people who engage in food stamp fraud.

UPDATE:

The Congress has enacted legislation to (1) allow States to retain 50 percent of the money recovered from fraudulent overissuances, (2) increase from 50 to

not less than 75 percent the Federal share of administrative costs associated with processing suspected fraud cases, (3) allow Agriculture to handle most suspected recipient fraud cases administratively, and (4) bar recipients from the program until they agree to repay the value of fraudulently obtained benefits. The Department has taken some steps to better identify and punish fraud. However, more needs to be done, especially to improve the identification and recovery of overissuances for which fraud cannot be proven.

4. Supplement to Comptroller General's Report--CED-77-112. CED-77-112A, 8/31/77

SUMMARY:

The Department of Agriculture did not dispute the basic thrust of an earlier GAO report on the food stamp program (CED-77-112) which indicated that proper actions are not being taken to recover overissuances (estimated at \$590 million a year) and to punish recipient fraud. However, some of Agriculture's comments tend to obscure and minimize the report's message. Agriculture stated that the Administration's proposal for overhauling food stamp legislation included most of the legislative changes recommended in the GAO report. The Department, however, strongly disagreed with the GAO recommendation that States should retain a portion of Federal dollars overissued due to the States' own errors. Agriculture also proposed that the legislation be revised to make it easier to collect from States the value of food stamp benefits overissued because of State negligence. There is some doubt whether it would be feasible to monitor the States closely enough to identify a significant proportion of all overissuances that occur so that it could be determined whether States were negligent. It may not be reasonable to expect the States to expend the extra effort and money necessary to effectively identify and report overissuances to Agriculture if they will be required to repay the value of the overissuances.

UPDATE:

See update section of summary of CED-77-112, July 18, 1977.

5. Problems With the Emergency Food Stamp Program and Opportunities for Improvement. Letter Report, 3/31/78

SUMMARY:

Nearly \$43 million in emergency food stamp benefits were distributed in disaster situations in fiscal year 1977. In some locations abuses of the program had occurred because of loose criteria and lack of adequate controls. The Food Stamp Act of 1977, a part of the Food and Agriculture Act of 1977, strengthened the control of food stamp issuance in disaster situations. The Food and Nutrition Service's regulations and instructions implementing the act need to be specific in order to minimize or eliminate the recurrence of past abuses.

The Service should include in its regulations and instructions specific eligibility criteria for emergency assistance to insure that only the truly needy will be eligible for assistance, as intended by emergency provisions. The instructions should also specify exactly which of the eligibility criteria applicable to the regular food stamp program will be applicable under the emergency program provisions, and which will be waived. In addition, eligibility criteria should be designed to prevent the participation of households whose circumstances enable them to purchase food without undue hardship, and effective controls should be established to prevent duplicate participation of households.

UPDATE:

As of August 1980 the Service had not issued regulations reflecting the emergency food stamp provisions of the 1977 act but had taken interim measures in specific disaster situations to reduce abuse and limit benefits to people needing them. In a followup report (CED-80-33, May 6, 1980), GAO said that although the Service's actions were generally in the direction of what was needed, the absence of nationwide regulations on this matter could be a serious problem. GAO added that it continued to believe that food stamp disaster regulations should be finalized as soon as possible so that future disaster benefits would be issued from a secure basis and opportunities for fraud and abuse would be minimized.

6. Food Stamp Work Requirements: Ineffective Paperwork or Effective Tool? CED-78-60, 4/24/78

SUMMARY:

Since 1971 able-bodied adults who receive food stamps and are not exempted by law have been required to register for and accept employment. These requirements were intended to affect the program in two ways: by finding recipients jobs so that they would no longer need assistance and by denying stamps to those who are able but unwilling to work. The food stamp program's work requirements have not achieved the intended results. A random selection of 1,061 cases from applications approved during January 1976 found 620 recipients who were required to register for work. Of the 620, only 3 obtained jobs and only 233 registered at local employment offices. The remaining 384 recipients were not registered because food stamp offices failed to have them fill out work registration forms, food stamp offices had not sent the completed forms to employment service offices, employment service offices had not distributed the forms to appropriate local offices, and forms had not reached the local employment service offices for various other reasons. Present procedures for evaluating work registration activities are not adequate because they do not provide information on the percentage of recipients who have not registered and whether the employment offices are receiving work registration forms and using them.

Recommendations: The Secretaries of Agriculture and Labor should require better information to be gathered on the effectiveness of the food stamp work requirements; closer monitoring of State and local activities implementing these requirements; and stronger action to correct identified problems, including finding out why required procedures are not being followed and what can be done to insure that they are followed.

UPDATE:

Although Agriculture and Labor agreed to take steps to improve administration of the food stamp work requirements, little has been accomplished. New regulations were recently proposed concerning work registration/job search revisions contained in the Food Stamp Act of 1977.

7. Problems Persist in the Puerto Rico Food Stamp Program, the Nation's Largest. CED-78-84, 4/27/78

SUMMARY:

In 1971 legislation was enacted which authorized the Commonwealth of Puerto Rico to participate in the food stamp program; today the Puerto Rico program is the largest food stamp operation in the Nation in terms of both the percentage of population participating and the total value of stamps issued monthly. Problems have existed in the Puerto Rico program since it began, but little was done in the past by the Commonwealth or the Food and Nutrition Service to solve the problems. Auditors found accountability deficiencies, resulting from problems reported in 1974, and other problems such as lack of documentation supporting retroactive benefit issuances, inadequate monitoring of Commonwealth personnel who both participated in the program and administered it, and failure to identify questionable authorization card redemptions. Corrective action by the Commonwealth was delayed without adequate explanation. Recently, more substantial actions have been taken to improve program performance. There is a need, however, for improvement in computer system operations in order to correct problems in program service and accountability.

Recommendations: The Secretary of Agriculture should have the Administrator, Food and Nutrition Service, direct that the Service steering committee formed to help resolve Puerto Rico food stamp management problems address the program management deficiencies outlined; form a technical assistance group responsible for the long-term improvement of the Commonwealth's food stamp computer system; and require the Commonwealth, with technical assistance from the computer group, to undertake a series of corrective actions for improving the computer system.

UPDATE:

Department officials stated that corrective action has been taken on the recommendations for improving those parts of the Puerto Rico food stamp program which GAO reviewed. However, a more recent audit by the Department indicates that problems continue in some aspects of Puerto Rico's program.

8. Federal Domestic Food Assistance Programs--A Time for Assessment and Change. CED-78-113, 6/13/78

SUMMARY:

Thirteen major Federal domestic programs, costing several billion dollars annually, provide food or food-related assistance to needy Americans. The programs are administered by the Department of Agriculture, the Department Health, Education, and Welfare (HEW); and the Community Services Administration (CSA). These programs have helped many people obtain more adequate diets. However, the large and accelerating costs of the programs, their piecemeal authorization and administration, and proposals for comprehensive welfare reform have created a need and opportunity to examine the programs' interrelationships and effectiveness. Multiple participation in the programs, which is sanctioned in legislation, has created a situation in which benefits often exceed amounts needed for thrifty food plan diets. Food stamp allotments ranged from 82 percent to 164 percent of the cost of such diets. Savings could be realized by making adjustments for different ages and sexes of household members. The extent of food benefit gaps and overlaps cannot be measured precisely because of inadequate data collection. Administrative problems result from varying eligibility criteria and procedures, lack of a uniform definition of "needy," and inadequate program coordination. There is also a lack of adequate data to determine the proper level of benefits, interrelationships of the programs, and the nutritional effectiveness of the programs.

Recommendations: The Secretaries of Agriculture and HEW and the Director, CSA, should determine the extent of benefit overlaps and gaps among the programs; develop and carry out a way to measure Americans' nutritional status in order to evaluate the effectiveness of food assistance efforts; propose consistent income and asset eligibility requirements and procedures and study their effects on program participation, costs, and work incentives; establish demonstration projects to test procedures for individualized food stamp allotments; study the feasibility of considering benefits from one program when determining eligibility and benefits in other programs, and consolidating aspects of certain programs at the local level; explore alternatives to food delivery systems in the women, infants, and children (WIC) program; make sure that persons in need of specific benefits from one program are aware of other programs; and study ways to encourage the exchange of information among local administrators.

On the basis of studies and feasibility, the Congress should define "needy," approve a policy on amounts of assistance, consolidate programs, authorize individualized food stamp allotments, eliminate duplicative benefits, and require administrative responsibility in a single State/local agency.

UPDATE:

Some preliminary action is being taken on some of the recommendations, but no action has been taken to (1) establish demonstration projects to evaluate increased costs resulting from individualized food stamp allotments, (2) study the administrative feasibility of considering food benefits from child-feeding programs when determining food stamp eligibility or benefits, and (3) explore alternatives to the WIC food delivery systems. Also, no action has been completed on the recommendations to the Congress.

9. Regulation of Retailers Authorized To Accept Food Stamps Should Be Strengthened. CED-78-183, 12/28/78

SUMMARY:

The food stamp program was designed to help low-income households obtain more nutritionally adequate diets by implementing their food budgets. Under the program, participating households certified as eligible by State welfare agencies are issued coupons which may be exchanged for eligible food at authorized retailers. There are about 270,000 retailers authorized to accept food stamps. During fiscal year 1977, the retailers accepted over \$8 billion in coupons and redeemed them at commercial banks and wholesale firms.

Food and Nutrition Service regulations and criteria for authorizing retailers have not assured that only those retailers capable of advancing program objectives were authorized. Regulations have not been precise and definitive and, therefore, have been stretched to authorize retailers of questionable value to the program, such as pastry shops, doughnut shops, coffee merchants, and liquor stores. The computerized system for monitoring retailers on a recurring basis uses unreliable data, and no mechanism exists to ensure that commercial banks are submitting only food coupons acquired in accordance with regulations. Coupon redemptions for approximately 4,100 wholesalers in the program are not adequately controlled to insure that only properly acquired coupons are redeemed. The Service has had difficulty identifying and imposing

timely and effective penalties against firms not adhering to program regulations. An analysis of investigations conducted in five States showed that an average of 426 days elapsed between identification of suspected violators and final action.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Food and Nutrition Service to establish specific criteria for authorizing retailers, take actions to improve monitoring of retailers and wholesalers and control the coupon redemption process, institute guidelines for and improve the monitoring of administrative reviews of penalties against violators, designate additional review officers until cases can be reviewed expeditiously, and reduce the compliance branch's work backlog and make the branch responsible for all investigations where criminal prosecution appears unlikely.

UPDATE:

The Food and Nutrition Service has taken satisfactory action on most of the recommendations and is taking action to implement the remaining three: (1) establish specific criteria for authorizing retailers, (2) reduce the compliance branch's work backlog, and (3) improve consistency of administrative review determinations in retailer suspension cases.

10. Effect of the Department of Labor's Resource Allocation Formula on Efforts To Place Food Stamp Recipients in Jobs. CED-79-79, 8/15/79

SUMMARY:

In response to a request, GAO studied the likely impact of the Department of Labor's (DOL) current resource allocation formula on efforts by State employment service agencies to place food stamp recipients in jobs. DOL has used the resource allocation formula to distribute Federal funds to State employment agencies based on their relative funding needs and day-to-day performance. A new allocation system is being developed for use starting in fiscal year 1980.

Both the Departments of Agriculture and Labor agree that the reported job placement rate for food stamp recipients is low, but they differ on the reasons for the low rate and, not expectedly, the need for and ability of Agriculture to substantially increase its funding for the work requirements program. DOL has allocated about one-third of the \$1 billion in Federal funds provided to

State employment service agencies annually. The formula's effect on State agencies' efforts to place food stamp recipients in jobs is not clear. However, several factors, including no explicit incentive for placing these recipients, could discourage such efforts. DOL gets \$28 million a year from the Department of Agriculture for food stamp registration activities, but the services these funds are to cover are not clearly defined.

Recommendations: The Director of the Office of Management and Budget should take the lead in completing an agreement between the Departments of Labor and Agriculture for effectively administering the food stamp work requirements. The agreement should include specific descriptions of the services that are unique to food stamp recipients and are to be paid for by the funds Agriculture transfers to DOL and provide that the amount to be transferred be based on the estimated cost of such services.

UPDATE:

The Departments of Agriculture and Labor are moving slowly to implement the revised food stamp work requirements. The Departments have not completed the new inter-agency agreement for administration of the work registration requirements. However, regulations on work requirements were recently proposed and Agriculture has requested increased funding for administering food stamp work requirements.

11. Efforts To Control Fraud, Abuse, and Mismanagement in Domestic Food Assistance Programs: Progress Made--More Needed. CED-80-33, 5/6/80

SUMMARY:

GAO has made numerous recommendations over the last 4 years for dealing with fraud, abuse, and mismanagement in domestic food assistance programs budgeted by the Department of Agriculture at over \$13 billion for fiscal year 1981. This report describes the status of corrective actions taken in response to the recommendations. Some significant improvements are apparent in the summer food service program, regulation of retailers accepting food stamps, and food stamp accountability. More are needed to correct

--school lunches not meeting nutritional goals,

- weak efforts to identify and recover food stamp overissuances,
- poor implementation of food stamp work registration requirements, and
- food stamp fraud and abuse in disaster situations.

Some long overdue actions have been initiated for for these problems, but little has been accomplished so far. Congressional oversight may be needed regarding shortages in school lunches and poor implementation of food stamp work requirements.

12. Preliminary Information on Food Stamp Workfare Pilot Projects. CED-80-129, 9/30/80

SUMMARY:

In response to a request, GAO prepared this report providing information on various important events that have transpired in the workfare demonstration. This report (1) provides information on how the seven pilot projects currently in operation were selected, (2) discusses plans for selecting sites for the workfare extension, and (3) includes some preliminary information on the evaluation contract between the Department of Labor and Ketron, Inc.

13. Alleged Intervention of the Food Research and Action Center (FRAC) Into Certain Food Stamp Program Activities. HRD-81-16, 10/14/80

SUMMARY:

In response to a request, GAO reviewed 10 FRAC newsletter-type mailings to determine whether any Federal laws or regulations prohibiting the use of Federal funds for lobbying purposes had been violated. GAO determined that two mailings violated grant terms and conditions and CSA regulations that must be consistent with anti-lobbying restrictions in section 607 (a) of the Treasury, Postal Service, and General Government Appropriation Acts of 1978 and 1979. Because the funds for these mailings were illegally expended, GAO requested CSA to recover the improper expenditures from FRAC, review its internal anti-lobbying regulations to ensure that they are consistent with GAO decisions on this subject, and provide notice to grantees of this prohibition.

1304 Commodity Distribution Programs:

1. The Impact of Federal Commodity Donations on the School Lunch Program. CED-77-32, 1/31/77

SUMMARY:

The Department of Agriculture's (USDA) purchasing and distributing of commodities for the school lunch program were reviewed in five States (California, Kansas, Missouri, Ohio, and Pennsylvania) and 15 school districts to assess the responsiveness of the Federal commodity program to the needs of school districts; evaluated the advantages and disadvantages of school districts receiving cash in lieu of Federal commodities under the school lunch program; and assess the reasons for plate waste (food served to the student but not eaten) in the school lunch program and identify possible solutions to the problem.

The USDA surplus removal and price-support programs go a long way toward meeting the needs of school districts. However, improvements are needed to make the school lunch program more effective and responsive to school district needs. The USDA Food and Nutrition Service has not taken adequate steps to make sure that the commodity preferences reported by the States are based on and reflect school district needs. Sometimes certain "traditional" items continue to be provided without being accepted by the States, and Department commodity purchase policies sometimes result in commodity purchases not highly preferred by the States. Districts, consequently, were being offered goods that did not match their needs or desires. Relative commodity costs are higher to smaller school districts than for the larger ones. If most districts, as they want, receive cash in lieu of Federal commodities, small district food costs might increase.

Recommendations: The Secretary of Agriculture should establish procedures so that school districts views are reflected in preference reports and considered in the purchase and distribution of Federal commodities, require States to pass on to the school districts all available commodity options, expand the means of finding out from the States and school districts what commodities are acceptable, improve the timing of Federal commodity deliveries, review costs and benefits of providing commodities in more acceptable form and quality, undertake greater promotion of nutrition education in school health programs to help reduce plate waste, do more to encourage

State and local school authorities to improve lunch facilities and atmosphere, require States to give districts more advance notice of commodity deliveries, and include a nutrient standard as an option to the Type A lunch pattern to provide greater flexibility in using commodities.

UPDATE:

The Food and Nutrition Service has take steps to implement all but one of the recommendations. On this recommendation, the Service is continuing to evaluate the use of a nutrient standard as an option to the standard meal pattern. GAO is currently reviewing the purchase and distribution of commodities for the various domestic food assistance programs.

2. Commodity Distribution Program Controls in the Commonwealth Of Puerto Rico. CED-77-120, 8/18/77

SUMMARY:

A review of the Commonwealth of Puerto Rico's practices, procedures, and controls over federally donated commodities for food relief programs did not disclose current instances of theft or excessive spoilage and indicated that the commodities were adequately accounted for at the time of the review. However, both the Commonwealth control over donated commodities and the Food and Nutrition Service monitoring of the commodity program in the Commonwealth need improvement to insure that the program there does not deteriorate in the future.

Recommendations: The Secretary of Agriculture should have the Food and Nutrition Service improve the Federal commodity distribution program in Puerto Rico by reviewing monthly and yearly Commonwealth receipt, distribution, and inventory reports more closely to insure accurate, timely reporting and identification of both commodity losses and potential problems; reconciling monthly Commonwealth reports with commodity shipment reports prepared by the Agricultural Stabilization and Conservation Service; conducting periodic evaluations and documented site inspections of the Commonwealth's receipt, storage, and distribution practices, procedures, and controls to insure their adequacy to account for donated commodities and minimize spoilage or theft; and requiring the Commonwealth's Department of Education to conduct more frequent, regularly scheduled warehouse inspections and to closely monitor the condition

of donated commodities stored at temperatures above the suggested levels.

UPDATE:

The Service and the Commonwealth have established new improved procedures and controls which seem to address the weaknesses GAO reported. If properly implemented, the new procedures and controls should help to prevent the waste, spoilage, and possible theft of Federal commodities that occurred earlier.

3. Actions Needed To Improve the Nutrition Program for the Elderly. HRD-78-58, 2/23/78

SUMMARY:

Through provisions of Title VII of the Older Americans Act, inexpensive, nutritionally sound meals, supportive services, and opportunities for socialization and recreation are provided to the elderly. The Administration on Aging (AOA) has an information system which requires States to submit quarterly program performance reports and financial status reports. The information system was not designed to support program management, and its usefulness is limited because of low priorities placed on reporting procedures, system changes, inconsistent data, and unreliable feedback to State agencies. Better data on program performance would help the States in managing the program and the AOA in identifying problems. Other problems noted were inadequate controls over meal contributions received, a need for improvements in protecting confidentiality of recipients, income from meal contributions was not used in some instances, audits were not always performed and did not always include reviews of meal contributions, some States provided incorrect information on the number of meals served to the Department of Agriculture for its use in making commodity allocations, commodities in excess of needs were provided

by the States to some projects, some caterers experienced difficulty in using commodities, and in some instances the quality and form of packaging limited commodity usage.

Recommendations: The Secretary of Health, Education, and Welfare (HEW) should require the AOA to develop a model management information system as a suggested guide for the States and provide technical assistance for the development of adequate State systems, develop instructions for completing program performance reports, provide meaningful reports to State agencies on national program

performance, emphasize to the States the need to collect basic information on amounts of meal contributions, emphasize to the States the need to improve internal controls over meal contributions, emphasize the importance of independent audits; encourage grantees to use proper means of protecting confidentiality, revise program regulations to encourage prompt use of program income, emphasize to the States the need to collect the necessary data on Department of Agriculture commodities, work with the Secretary of Agriculture to establish procedures to maximize the use of commodities in caterer-prepared meals and to identify problems with State commodity distribution systems, and establish procedures to insure that nutrition project's views on commodity preferences are included in information provided to the Department of Agriculture.

UPDATE:

GAO discussed the draft report with AOA officials in December 1977. They informed GAO that as a result of the report, AOA was undertaking a new initiative nationwide to improve administration of the elderly nutrition program as part of its Management Initiatives Tracking System (MITS). Actions taken by AOA and USDA on the report recommendations include the following:

- AOA will increase the number of meals available to older persons by 12 percent or a total of 17 million additional meals by March 1979. AOA will attempt to reach this goal without an increase in appropriations by increasing program resources from \$250 million to \$347 million through better and increased utilization of all resources available.
- AOA conducted an analysis of fiscal year 1977 State agency outlays of Title VII funds which indicated that unliquidated obligations totaled almost \$147 million as of September 30, 1977. Over \$2 million remained unexpended from fiscal years 1974 and 1975. This analysis also showed that 18 States reported more Title VII program costs incurred than disbursements made. The remaining States reported disbursements in excess of program costs during fiscal year 1977. The amount of excess disbursements ranged from 2 percent to 428 percent of program costs. This analysis identified problems regarding lack of cash controls by the States and noncompliance with letter-of-credit regulations.

--AOA convened a task force to review the information needs of AOA in relation to the data needs of the States for management purposes.

--AOA has developed specific plans to reduce the costs of meals by surveying administrative and social services costs associated with meal preparation. Each Title VII project is being reviewed by HEW regional offices to identify strengths and weaknesses associated with program operations. AOA is also developing successful case models for distribution throughout the aging network in response to the recommendations.

--In conjunction with USDA, AOA plans to increase the rate of use of USDA-donated foods/cash from the current 50 percent rate to 75 percent of the program entitlement.

--AOA has issued a program instruction which defines and clarifies the policies and procedures regarding the accountability and disposition of program income.

4. Federal Domestic Food Assistance Programs--A Time for Assessment and Change. CED-78-113, 6/13/78 *(See Section 1301-1303)
5. Efforts To Control Fraud, Abuse, and Mismanagement in Domestic Food Assistance Programs: Progress Made--More Needed. CED-80-33, 5/6/80 *(See Section 1301-1303)

TITLE XIV -- National Agricultural Research,
Extension, and Teaching Policy Act of 1977

1401-1404 Title, Findings, Purposes, and Definitions:
(No GAO Reports Issued)

1405-1413 Coordination and Planning of Agricultural Research,
Extension, and Teaching:

1. Management of Agricultural Research: Need and Opportunities for Improvement. CED-77-121, 8/23/77

SUMMARY:

Although the extremely complex and highly diversified agricultural research system in the United States has made notable contributions to the Nation's well-being, there is an increasing realization that an up-to-date national plan needs to be developed and maintained if the system is to be responsive to future critical problems and needs and if limited public dollars are to be wisely used. The Agricultural Research Service, the largest organization in the Federal-State research system and now a part of the Science and Education Administration (SEA), could improve its research through better planning, project selection, and review of ongoing work. Until recently, the Service placed most of its emphasis on short-range planning. In fiscal year 1977, the Service recognized the need for long-range planning by categorizing research under national and special research programs and developing a long-range planning document for each program area. Much of the technical and administrative data needed for developing strategies was unavailable, inaccurate, or fragmented.

Recommendations: The Secretary of Agriculture should direct the Agricultural Research Service to identify and document the relative priorities of each national research program and of each problem and research need within the program areas, develop agencywide criteria and peer review procedures for assessing the scientific and technical merits of all research proposals, and require that the annual unit reports and plans better document the technical aspects of active research projects and be reviewed by technical advisors. The Secretary should also take the necessary steps to have a national agricultural research plan developed and maintained.

UPDATE:

The Food and Agriculture Act of 1977 established new mechanisms and requirements for planning and coordinating agricultural research. The act established a National Agricultural Research and Extension Users Advisory Board and a Joint Council on Food and Agricultural Sciences to assist in coordinating and planning for agricultural research. In addition, the Secretary of Agriculture is required to submit an annual report to the Congress on agricultural research, including 5-year projections of national research priorities. The Secretary has also established a Current and Future Priorities Staff within SEA to assist in establishing priorities for agricultural research.

In line with GAO's recommendations, SEA modified its procedures for developing, reviewing, and approving individual research proposals. On September 26, 1979, SEA issued Directive 600.6, "Policy, Procedures, and Responsibility for Documenting and Coordinating AR Program Reviews and Workshops." This directive provides for documented reviews of research projects. On July 11, 1980, SEA issued Directive 600.7, "Preparing Agriculture Research Project Documentation for In-house Research." This directive provides for an agencywide peer review project selection procedure and specifies the inclusion of sufficient documentation for critical assessment of the scientific and technical merits of the project by the appropriate technical advisor.

2. Food Waste: An Opportunity To Improve Resource Use.
CED-77-118, 9/16/77

SUMMARY:

About 20 percent of all food produced in the United States is lost or wasted in a year, amounting to about \$31 billion. Losses occur during harvest, storage, transportation, and processing; at the wholesale/retail level; and at restaurants, institutions, and households. Large losses occurred at the consumption level, both institutional and household. Uneaten food thrown away (plate waste) is a problem in the National School Lunch Program, and similar waste has been reported in all group feeding situations. The Department of Agriculture's (USDA) food stamp program contains an allowance for some food to be discarded. It was estimated that for 1977, 1 percent of waste would result in a food loss of \$50 million. USDA has given only limited financial support to research to make reduction of loss economically feasible.

Households discarded the most edible food, worth \$11.7 billion. Research on loss showed that households with good knowledge of food safety have less waste. Reducing food loss would improve the productivity and efficiency of the food system; increase food production for a given level of land, fertilizer, energy, and related factors; and provide an opportunity for feeding the hungry. Changes in tax laws have eliminated some incentives to donations of food.

Recommendations: The Secretary of Agriculture should undertake a comprehensive study of the magnitude and causes of loss and focus research attention in promising areas, determine the extent and causes of waste among food stamp recipients and in USDA-supported feeding programs and take remedial action as appropriate, review priorities given to research activities devoted to loss reduction, undertake educational efforts that are found to be related to elimination of household waste, and review opportunities for encouraging charitable donations of food by extending tax benefits or by other programs.

UPDATE:

This report heightened awareness of food loss within the Government, spurred activity, and became a basic source of information. The National Research Council, the principal operating agency of the National Academy of Sciences, has proposed a systems analysis study of food loss. It is seeking funding through USDA, which is waiting until budget action is completed to decide, and through trade groups. The report has been quoted by USDA in providing data on food loss and has been quoted extensively in the press.

3. Redesigning Shipping Containers To Reduce Food Costs.
CED-78-81, 4/28/78

SUMMARY:

The cost of food distribution is an important element in food costs. Processed and fresh products for retail sale are transported in shipping containers to their destinations. The variety of container sizes and shapes has made it difficult to develop efficient handling techniques. Modularization, a concept that geometrically relates food shipping container sizes to one another, offers a way of reducing food costs. This concept has been used in European countries with good results, but little has been done in the United States to

implement such standardization. If used, it would permit more efficient transportation and handling of goods, eliminating wasted space and resulting in less damage to goods. Because of diverse package sizes and large capital investments in the packaging industry, modularization can involve high initial equipment costs, but costs can be reduced as size changes are coordinated with new products and normal equipment replacement. Manufacturers would bear the greatest burden of conversion costs and benefit least, while wholesalers would benefit most. Conversion to the metric system would simplify geometric relationships which could help in modularization. If the food industry should convert to the metric system, some manufacturers may design new packages in modular units. Increased food system efficiency could lead to lower food prices, but with neither Government nor industry promoting modularization, this is unlikely.

Recommendations: The Department of Agriculture should initiate the advancement of modularization and enlist the participation of the food industry. Such an effort should include identifying and quantifying costs and benefits of modularization, determining the most feasible method to coordinate modularization with industry changes, exploring with the food industry what further steps may be necessary, and obtaining the assistance of the National Bureau of Standards. The U.S. Metric Board, when formed, should consider modularization in actions to change food package sizes. The Congress should examine the status of efforts to coordinate metrication and modularization and examine food industry progress toward modularization.

4. What Causes Food Prices To Rise? What Can Be Done About It? CED-78-170, 9/8/78 *(See Section 401-705)
5. The Cooperative Extension Service Should Provide Farmers With More Information on Farm Credit Sources. CED-80-45, 2/27/80

SUMMARY:

The demand for farm credit has increased significantly in recent years. While the supply of credit from the numerous private and public lenders has generally been adequate to meet the needs of qualified borrowers, beginning and marginal operators have had problems getting credit and repaying outstanding loans. In the future, the success of family farms in the United States will depend largely on skillful financial management--

including the efficient use of credit. However, information on sources of credit, interest rates and terms, and how to apply for credit is only available on a piecemeal basis from numerous sources. As a result, farmers are often unaware of the differences in credit available. This can limit the creation, survival, and efficiency of family farms. A central source of credit information for farmers is needed.

Recommendations: GAO recommends that the Secretary of Agriculture have the Director, Science and Education Administration, (1) actively encourage State Cooperative Extension Services to provide farmers with more information on farm credit lenders and (2) allocate special project funds to States that wish to prepare credit handbooks on an experimental basis. Also, at the conclusion of the experiment, the Secretary should gather and provide to the Congress and each State Cooperative Extension Service information on the handbooks' preparation costs, the impact of the increased workload on county and State staffs, and the usefulness of the handbooks to farmers.

UPDATE:

Responding to the report, the Science and Education Administration informed the Senate Committee on Governmental Affairs and the House Committee on Government Operations on May 14, 1980, that it would (1) work closely with the State Extension Services to provide more information to farmers on farm credit sources, (2) assist States in increasing emphasis on financial management education, and (3) give high priority to funding special projects in two or three States for preparing "credit information handbooks" at the State and local levels on an experimental basis. The agency also said that the requested reports to the Congress and to each State Cooperative Extension Service would be prepared.

6. Agricultural Research and Extension Program to Aid Small Farmers. CED-81-18, 10/17/80

SUMMARY:

In response to a request, GAO updated its 1975 report entitled "Some Problems Impeding Economic Improvement of Small Farm Operations: What the Department of Agriculture Could Do" (RED-76-2, August 15, 1975) regarding certain questions related to six specific issues. These questions dealt with funding of small-farm programs, reprogramming funds to emphasize small-farm programs, size neutrality of USDA research and extension activities,

state and private programs to help small family farmers, earmarking funds to support state and private programs, and USDA's efforts to assist small family farmers since the 1975 report.

7. Comments on Food Advertising Proposals. CED-81-27,
11/7/80

SUMMARY:

Because of the complexities and ramifications of the issues that need to be addressed, GAO believes that the Government, the food industry, consumers, food retailers, health-care specialists, the media, and educators need to work together in developing and implementing a coordinated, sequenced, and workable approach to the accumulation and dissemination of food and nutrition information. While bringing these groups together may create conflict, GAO believes that they could reach agreements and assess tradeoffs by pooling their knowledge and resources and sharing their concerns. One mechanism that could best accomplish the formation of a national food information policy would be a committee established by law to better ensure performance of policy objectives. The committee would be composed of members from the groups mentioned above. It could provide guidelines for organizing public and private resources to equip the consumer with useful and understandable information about food.

1414-1420 Agricultural Research and Education Grants and Fellowships:

1. Potential of Ethanol as a Motor Vehicle Fuel. EMD-80-73,
6/3/80

SUMMARY:

GAO reviewed selected aspects of ethyl alcohol's (ethanol's) potential for widespread use as a motor vehicle fuel and focused on Federal and other efforts to assess that potential.

GAO found that, even considering constraints on the availability of feedstocks for producing ethanol, it appears entirely feasible for the Nation's vehicle fleet to be operating on a 10-percent ethanol, 90-percent gasoline blend ("gasohol") by the year 2000. A national gasohol program could cut U.S. oil imports by 260 million barrels a year at a savings of over \$8 billion, based on current prices for imported oil.

The Department of Energy has taken steps to pull together previously fragmented efforts, but it is too early to evaluate how successful those steps will be. Although much oil industry skepticism remains over ethanol's potential as a widely used motor vehicle fuel, many major oil companies are now marketing gasohol and removing marketing barriers.

2. Conduct of DOE's Gasahol Study Group: Issues and Observations. EMD-80-128, 9/30/80

SUMMARY:

GAO reviewed a number of allegations concerning the conduct of the Department of Energy's Energy Research Advisory Board Gasahol Study Group and found them of mixed validity. The most serious deficiencies GAO found were that:

--the Study Group was not operated in accordance with the requirements governing Federal advisory committees and

--problems existed in the process used to select Study Group members in relation to the technical quality of the Study Group's report.

Recommendations: The Secretary of Energy should take those steps necessary to bring DOE's policy regarding advisory committee subgroups into conformity with the position of GSA as to what constitutes an advisory committee under the Federal Advisory Committee Act. In this connection, the Secretary should revise this connection, the Secretary should revise DOE's regulations regarding advisory committee subgroups, when serving in the capacity of advisory committees themselves, (1) be chartered, (2) have meetings which are open to the public and announced in the Federal Register, (3) keep detailed minutes of completed meetings, and (4) make drafts or other documents prepared by the subgroups available for public scrutiny.

1421-1428 National Food and Human Nutrition Research and Extension Program:

1. Nationwide Food Consumption Survey: Need For Improvement And Expansion. CED-77-56, 3/25/77

SUMMARY:

The Nationwide Food Consumption Survey which the Department of Agriculture (USDA) began in April 1977, was reviewed in order to determine what types of analyses can be done with the data, what planning changes have occurred since survey conception in 1974, and whether it will yield accurate information on the diet of low-income families and of overall food consumption in the United States. The sample will be of 15,000 households, with 5,000 low-income households, almost half of whom participate in the food stamp program. The survey sample is too small to provide useful information in evaluating food assistance programs and in identifying nutritional problems of low-income families. Additional low-income families should be sampled to provide this information. The survey methodology has not been fully validated, and the results will be open to criticism. There are no assurances that the data obtained will actually measure the amount of food consumed.

Recommendations: USDA should fully validate the the Nationwide Food Consumption Survey methodology either before or during the survey and develop objectives and analysis plans for the survey before the sample is drawn.

UPDATE:

USDA accepted the recommendations, and made changes in survey and validation. GAO's survey staff has worked with USDA consultants to develop validation methodology.

2. National Nutrition Issues. CED-78-7, 12/8/77

SUMMARY:

The United States is fortunate in that most citizens have access to nutritious, safe food. Its citizens are among the best fed in the world, and it has many Government agencies and programs designed to assure food supply, to make food available to those in need, and to ensure food safety. Over the past 10 years the Nation's concern about food has increasingly turned from basic supply to adequate nutrition. Inadequate nutrition has become more and more linked with this country's leading causes of death. As these links have been better defined, it is apparent that adequate nutrition is an integral part of preventive disease protection. The United States has no formal, written nutrition policy. Rather, it has a de facto policy which is, in effect, a piecemeal series of

programs instituted over the years, often because of a sense of emergency and with little thought given to the interaction or relationship with existing programs. The existing programs clearly would be part of any structured nutrition policy, albeit in different forms. Issues that should be considered include the extent of the role nutrition considerations should play in food and health policy decisions, whether a more formal nutrition policy should be adopted with explicitly stated goals and objectives, whether a central authority or a formal coordinating group for nutrition matters should be established, and how far the Government should intercede in promoting dietary practices.

UPDATE:

No recommendations were made in the report. However, this report is important because it defined nutrition issues for future GAO work. The Department of Health and Human Services used this report to set the agenda for its nutrition coordinating committee.

3. U.S. Participation in International Agricultural Research. ID-77-55, 1/27/78 *(See Title XII--Related Reports)
4. Informing the Public About Nutrition: Federal Agencies Should Do Better. CED-78-75, 3/22/78

SUMMARY:

A large share of the Nation's health costs has been attributed to hunger and poor eating habits. A primary cause of poor nutrition is lack of consumer knowledge about the proper selection and preparation of food. Most of the Federal Government's nutrition information is produced by the Departments of Agriculture (USDA) and Health, Education, and Welfare (HEW), and 12 agencies within these departments administer the dissemination of information developed by at least seven Federal departments and commissions. Information concerning Federal spending for nutrition information and education is not readily available, but the Congressional Research Service determined that at least \$69.3 million was spent for nutrition education in fiscal year (FY) 1976. Results of a questionnaire indicated that agencies in USDA and HEW lacked defined areas of responsibility, making it difficult for users to identify sources of materials on specific topics; use of nutrition materials authorized by other agencies was limited; printed materials accounted for 84 percent of materials disseminated, although there was no

assurance that this was the most effective method of dissemination; few materials developed by the Federal Government were formally evaluated; only 5 of 352 publications identified had a total distribution of over 1 million copies in FY 1975 and 1976; and most agencies lacked information on the cost to develop materials for dissemination.

Recommendations: The Secretaries of USDA and HEW should designate a central authority to serve as a continuing review board in the future development of nutrition information materials; establish an interdepartmental task force which would assess nutrition-related material developed by each department; and establish an interdepartmental task force to consider such matters as coordination between departments to avoid duplication and insure coverage of necessary areas, the most cost-effective means of reaching consumers, and the role of the Federal Government in cooperating with State and local agencies. Results of task force reports and recommendations should be submitted to the Congress.

UPDATE:

Both Departments have taken action to centralize authority over dissemination of nutrition information. GAO has not performed additional review work to determine if this action has been successful in eliminating duplications and improving the quality of released information.

5. Federal Human Nutrition Research Needs a Coordinated Approach To Advance Nutrition Knowledge. PSAD-77-156 and 156A, 3/28/78

SUMMARY:

Each year the Federal Government spends between \$73 million and \$117 million on human nutrition research. This represents about 3 percent of the \$3 billion it spends annually on all research in agriculture and health. Several Federal departments and agencies support human nutrition research although no department or agency has human nutrition as its primary mission. Major knowledge gaps and related research needs have been classified into four broad and interrelated areas that are important for sound nutrition planning whether a nutrition program's target is an entire population, a population subgroup, or an individual. The areas include human nutritional requirements; food composition and nutrient availability; diet, disease causation, and food safety; and food consumption and nutritional status.

Research needs for responding to these knowledge gaps include long-term studies of human subjects across the full range of both health and disease; comparative studies in populations of different geographic, cultural, and genetic backgrounds; basic investigation of the functions and interactions of dietary components; updated and expanded food composition data; and improved techniques for assessing long-term toxicological risks. The following barriers to nutrition research persist: lack of central focus and coordination, shortage of nutrition scientists, and uncertainty of Federal funds for extramural research.

Recommendations: The Director, Office of Science and Technology Policy, should work with Federal agencies to further define areas of human nutrition research and make recommendations to the Director, Office of Management and Budget to assign, where practicable, each area to a lead agency; eliminate unnecessary research that may exist among Federal agencies; and promote Government-wide human nutrition research planning, coordination, and reporting.

UPDATE:

Partly as a result of this report, HEW, USDA, and the Office of Science and Technology Policy (OSTP) established several nutrition coordination mechanisms to promote nutrition research planning, coordination, and reporting. The OSTP established a Governmentwide nutrition research planning committee. HEW and USDA created nutrition coordinator positions in their respective departments. The report has stimulated the nutrition community, been included in an Office of Technology Assessment report on nutrition research, and been used as background paper in the administration's attempt to reorganize the Federal food and agriculture bureaucracy. The report, along with several other congressional and administration reports on nutrition research, is probably partly responsible for the added attention, focus, and Federal funding of nutrition research in recent years.

6. Need for a Comprehensive National Nutrition Surveillance System. CED-78-144 and 145, 6/29/78

SUMMARY:

The Departments of Agriculture (USDA) and Health, Education, and Welfare (HEW) developed and submitted to

the Congress a joint proposal for a comprehensive Nutritional Status Monitoring System (NSMS) which recognized that there was no adequate national nutrition surveillance system and proposed to institute one. An effective surveillance system should promptly identify nutritional needs; pinpoint, within narrow geographic boundaries, specific target groups with nutritional needs; predict future areas of nutritional concern; and provide data which Federal agencies can use to monitor the effectiveness of programs for various population groups. A number of weaknesses exist which preclude current programs from functioning as an effective surveillance system: (1) the systems are not always specific enough to identify problems by narrow geographic areas or do not always include important population groups, (2) the systems do not produce information in a timely manner, and (3) the systems do not provide information adequate for evaluating the effectiveness of programs designed to improve nutritional health. The proposed NSMS consists of four interrelated elements to determine nutritional and dietary status, nutritional quality of foods, dietary practices and knowledge, and the impact of nutrition intervention programs. There are four major areas of concern with the NSMS: lack of specificity and agreement between USDA and HEW; lack of agreement on the collaborative, dicennial survey; the role of the system in program evaluation; and the inadequacy of the coordination mechanism. The Congress should designate either Agriculture or HEW as the lead agency for nutrition intelligence gathering, and an outside party should be selected to conduct an independent peer review of the program.

UPDATE:

The recommendations were accepted. The Department of Health and Human Services and USDA are close to releasing an implementation plan on a national nutrition surveillance system.

7. Future of the National Nutrition Intelligence System.
CED-79-5, 11/7/78

SUMMARY:

The United States does not have a unified or coordinated nutrition intelligence system, but both the Department of Health, Education, and Welfare (HEW) and the Department of Agriculture (USDA) have programs which provide some of this information. With limitations, the existing programs provide periodic national population surveys to assess and monitor dietary and nutritional

status of the entire population and selected groups at nutritional risk, surveillance at the community level for indicators of nutritional deficiency in selected high-risk groups, and evaluations of the dietary and nutritional impacts of some food assistance programs. While these activities generate useful information, there are weaknesses which limit their effectiveness as an overall system of nutrition intelligence.

Assessment and monitoring survey data are often untimely, insufficiently specific geographically, omit important population groups, and are inadequate for evaluating programs designed to improve nutritional health. The surveillance mechanism is weak in terms of population group and geographic coverage and reliability data. A joint proposal by HEW and USDA for a comprehensive system of nutrition intelligence centers around four interrelated elements: nutritional and dietary status, nutritional quality of foods, dietary practices and knowledge, and impact of nutritional intervention. The system will function through recurring national surveys of the population, special surveys of nutritionally at-risk groups, expansion of existing surveillance programs, and studies to evaluate the nutrition intervention program. The system will operate through existing programs within each Department with a coordination mechanism at several levels. Areas of concern with the proposal involve lack of specificity and agreement between Departments, lack of agreement on how a decennial survey would be conducted, the role of the system in program evaluation, and the adequacy of the coordination mechanism.

UPDATE:

The recommendations were accepted. The Department of Health and Human Services and USDA are close to releasing an implementation plan on a national nutrition surveillance system.

8. Recommended Dietary Allowances: More Research and Better Food Guides Needed. CED-78-169, 11/30/78

SUMMARY:

Despite the importance of recommended dietary allowances in planning diets, evaluating nutritional contents of food, establishing guidelines for food labeling, and developing new food products, they have limitations and can be used properly only when these limitations and their meaning are understood. The recommended dietary allowances are considered to be too complex for use by the

consumer and are intended to be used by the professional nutritionist or dietitian. Although they provide a reasonable standard for use by nutrition professionals in planning and evaluating diets, a diet which provides the recommended dietary allowances does not necessarily ensure adequate nutrition.

Recommendations: The Secretaries of Agriculture and Health, Education, and Welfare should have the National Academy of Sciences assist in identifying nutrition research needs and in establishing research priorities relating to human nutritional requirements. This assessment should be used to improve and expand Federal research on human nutritional requirements. The Committee on Dietary Allowances should use the research results to expand and extend the recommended dietary allowances to additional nutrients and direct them toward more specific population groups. The Secretaries should also request a qualified and respected body of experts to assist in the departmental planning efforts of developing food guides for the consumer to supplement other Government nutrition education efforts. These guides should help the consumer to develop diets that satisfy the recommended dietary allowances and nutrition guidelines and should address the current nutrition concerns regarding food components, lifestyle factors, and diet and health.

UPDATE:

Since issuance of the GAO report, the Food and Nutrition Board of the National Academy of Sciences has issued the ninth edition of the recommended dietary allowances. The new edition provides added coverage of some of the controversial food components which GAO reported needed more attention. The National Institutes of Health also funded a study by the Board to identify nutrition research needs related to nutrient requirements as recommended by GAO. In February 1980 USDA and HEW issued dietary guidelines entitled "Nutrition and Your Health: Dietary Guidelines for Americans." These guidelines are the kinds of efforts that GAO recommended in the report.

9. Greater Federal Efforts Are Needed To Improve Nutrition Education in U.S. Medical Schools. CED-80-39, 1/2/80

SUMMARY:

This report summarizes GAO testimony presented on November 8, 1979, before the Subcommittee on Nutrition, Senate Committee on Agriculture, Nutrition, and Forestry. GAO testified that despite its importance to health,

nutrition is not taught adequately in many medical schools. GAO reported that the Bureau of Health Manpower, HEW, spent less than \$3 million for nutrition education grants to 23 medical schools.

Recommendations: The Administrator, Health Resources Administration, should:

- Evaluate the results of the Bureau's nutrition education grants.
- Set up several 3-year demonstration projects at interested medical schools to show how nutrition curricula could be consolidated and emphasized.
- Make the results of the demonstration projects known and consider packaging a nutrition education program for other schools' use.
- Fund fellowships in the nutrition area and regional conferences of the Association of American Medical Colleges to discuss nutrition education.

UPDATE:

Since issuance of the report, the Secretary of Health, Education, and Welfare responded to GAO's recommendations and

- plans to evaluate the FY 1979 curriculum development grants in nutrition,
- will consider the development and funding of demonstration projects at medical schools to show how nutrition curricula could be consolidated and emphasized, and
- will explore the possibility of providing additional funds for nutrition fellowships.

10. What Foods Should Americans Eat? Better Information Needed on Nutritional Quality of Foods. CED-80-68, 4/30/80

SUMMARY:

Consumers, Government, industry, and others need better information on the nutritional value of foods. Presently there are no generally accepted nutrition principles and no authoritative guidance on what amounts are

too much or too little of such controversial food substances as fat, cholesterol, salt, sugar, fiber, and alcohol, which have been linked to major diseases and disorders.

This report makes recommendations to the Secretaries of the Departments of Agriculture (USDA) and Health, Education, and Welfare to provide such information to assist Americans in making decisions about nutrition and help reduce consumer confusion.

Food decisions are becoming increasingly difficult for consumers and Government to make due to the many thousands of food items to choose from, a changing lifestyle that generally requires consuming fewer calories, and a growing desire to select foods that promote good health.

UPDATE:

USDA listed a number of actions it is planning or taking in response to the GAO recommendations. USDA said it is developing menus to assist consumers in following the dietary guidelines. It is also publishing a second volume of "Food" for the public. USDA also said 50 percent of its 1980 research budget is directed at nutrient requirements. It will open a new nutrient composition laboratory in Maryland this summer. It has developed new analytical techniques on the iron content of beef, pork, and poultry. USDA is conducting research to develop standard values that could be used to calculate the nutrient content of foods for labeling. USDA said it is also developing proposed regulations on nutrient labeling of meat, poultry, and egg products.

The Department of Health and Human Services (HHS) concurred in the concept developing explicit and generally accepted nutrition principles and the need for outside scientific review of governmental guidelines on recommendations regarding dietary intakes. However, HHS said it never intended to establish recommended levels of intakes for individual classes of nutrients.

11. Need for More Effective Regulation of Direct Additives to Food. HRD-80-90, 8/14/80

SUMMARY:

The Federal Food, Drug, and Cosmetic Act requires that the safety of direct food additives be based on scientific evidence and that the evidence be reviewed

and approved by the Food and Drug Administration. However, the act exempts from review and approval substances generally recognized as safe by "experts" or approved for use before 1958 and allows the safety determination for some of these substances to be based on experience drawn from common use in food. The safety of several of these exempted substances, including saccharin, cyclamate, and nitrite, has been questioned.

Recommendations: GAO recommends that the Congress amend the law to eliminate the exemptions and that the Secretary of Health and Human Services publish regulations establishing criteria and guidelines for assessing the safety of additives. Regulations listing substances affirmed as generally recognized as safe should be revised to indicate the kinds of evidence that support their safety.

12. Areas Needing Improvement in the Adult Expanded Food and Nutrition Education Program. CED-80-138, 9/4/80

SUMMARY:

The Expanded Food and Nutrition Education Program of the Department of Agriculture receives about \$50 million annually in Federal funds to improve the nutrition knowledge and diets of low-income families.

A limited GAO assessment of the program showed the need to better cope with the impact of inflation on its funding and human resources. The assessment also showed the need for (1) better communication alternatives, standards, and evaluation tools to demonstrate the program's effectiveness, (2) stronger program administration, and (3) increased coordination within the program and with other nutrition programs.

Recommendations: The Secretary of Agriculture should instruct the Director of Science to:

- Encourage State and local EFNEP officials to develop and test various innovative methods for reaching more families within the constraints of available resources.
- Evaluate the methods that are developed and disseminate to all EFNEP officials information on those found to be feasible and effective.
- Develop (1) objective and measurable standards for judging program effectiveness and (2) the

evaluation and feedback tools needed to measure program performance against such standards.

- Provide additional guidance and training to State and local program officials on supervisory and recordkeeping requirements and responsibilities.
- Develop specific criteria for State program officials to use in selecting program sites and allocating funds among the sites.
- Encourage increased State and local EFNEP coordination with other nutrition-related programs for reaching more families.
- Ensure adequate evaluations of the 16 pilot projects which are exploring ways of increasing food stamp families' participation in EFNEP.

UPDATE:

On November 6, 1980, USDA responded to the GAO report and described actions taken or planned based on the recommendations. Some of USDA's actions are:

- SEA (Extension), in cooperation with the Food and Nutrition Service has initiated 16 projects designed to recruit and educate more food stamp families in food and nutrition. All projects are testing alternative methods to improve EFNEP efficiency. Delivery methods being compared with the traditional one-to-one instruction include mass media, telephone instruction, self-instruction devices, and group meetings.
- SEA (Extension) is cooperating with SEA (Joint Planning and Evaluation Staff) to study and develop objective and measurable standards for judging the effectiveness of EFNEP as a part of the Congressional mandated EFNEP Evaluation Study. Evaluation and feedback tools to measure program performance against these standards will be used in nine States where State and local field work is being conducted. The study will be completed in the spring of 1981.
- SEA (Extension) has initiated collaborative efforts with other food and nutrition-related programs. Memoranda of Agreement with the Food Stamp Program have resulted in the initiation of pilot projects to increase outreach efforts and innovative

educational strategies in food and nutrition for food stamp participants. Another joint memorandum from WIC and EFNEP Program administrators removed a prohibition from WIC contracting nutrition education responsibilities to EFNEP. This memo also stressed the importance of cooperative planning and coordination.

13. Need to Assess the Quality of U.S. Produced Seafood for Domestic and Foreign Consumption. CED-81-20, 10/15/80

SUMMARY:

GAO is studying the adequacy of current Federal efforts to improve the quality and safety of seafoods processed in the United States for domestic and foreign consumption. As part of this study, GAO is assessing the National Marine Fisheries Service (NMFS) program and efforts to improve the quality and safety of seafood harvested and processed in the United States.

During the study GAO became aware of the controversy that exists over whether the quality of U.S.-produced seafoods is or is not competitive for foreign trade or adequate for domestic consumption. While some seafood industry officials contend that U.S. seafood processors produce a high-quality product, NMFS officials believe that the variable quality of U.S. seafoods is contributing to the low volume of seafood sales in the United States.

The statistics show that the U.S. trade deficit for all seafood products is approximately \$2.8 billion. Also, the United States is importing 60 percent of the edible seafood consumed domestically even though an estimated 20 percent of the world's seafood is found within the 200 mile U.S. fishery conservation zone.

Recommendations: The Administrator of NOAA should initiate a study to assess the quality of U.S. seafood produced for domestic and foreign consumption. Depending on the results of this study, NMFS can take appropriate steps or actions to help insure the continuous supply of suitable high-quality seafood products.

- 1429-1439 Animal Health and Disease Research:
(No GAO Reports Issued)

1440-1443 Small Farm Research and Extension:

1. Changing Character and Structure of American Agriculture: An Overview. CED-78-178, 9/26/78 *(See Section 102)

1444-1445 1890 Land-Grant College Funding:
(No GAO Reports Issued)

1446-1457 Solar Energy Research and Development:

1. Magnitude of the Federal Solar Energy Program and the Effects of Different Levels of Funding. EMD-78-27, 2/2/78

SUMMARY:

To accelerate development and use of solar energy systems, the Congress has greatly increased appropriations for research, development, and demonstration of solar energy over the past few years. Different programs and funding requirements have been necessary to carry out programs for the following technologies: fuels from biomass, photovoltaic conversion systems, solar thermal power systems, wind energy conversion systems, ocean thermal energy conversion, solar heating and cooling of buildings, and agricultural and industrial process heat.

Major funding increases would generally result in an increase in demonstration and research projects in these technologies. Most program officials believed that there was disagreement in relation to specific projects and funding emphasis. Some factors which must be considered in developing strategies for commercialization of solar energy are the various technologies are geared to different consumer groups; the technologies are at different phases of availability; and, at present, solar technologies are applicable in limited regions of the country. Such mechanisms as tax credits, low-interest loans, and Government ownership can be used to stimulate the use of solar energy systems. Solar program officials estimate that it will cost a little over \$3 billion to carry out the present program over the next 5 fiscal years. Additional research, development, and demonstrations may lead to cost reductions or technological breakthroughs. However, because of uncertainties about how soon these objectives could be met and the potential energy impact, there was concern that funds for some technologies and applications were difficult to justify.

Recommendations: The Congress may wish to require the Department of Energy to submit information showing the relationship between funding levels and the potential contributions each solar technology can make in meeting the Nation's energy needs. This information could be useful for comparing the solar programs budget requests with those for other energy technologies and evaluating the desirability of changing funding levels for each of the technologies.

2. Commercializing Solar Heating: A National Strategy Needed. EMD-79-19, 7/20/79

SUMMARY:

Solar heating systems warrant particular attention because of their advanced position of being economically and technically accepted relative to other solar technologies. Solar heating devices also have a large potential for use since more than 40 percent of the Nation's energy is used for heating purposes. Although the technical feasibility of using solar heating for a wide range of residential, commercial, and industrial applications is well established, many constraints tend to discourage consumers and businesses from investing in solar heating equipment. These constraints include economic, institutional, regulatory, and legal constraints, as well as a lack of consumer protection. The National Energy Act (NEA) contains provisions aimed at encouraging the use of solar heating systems. These include a non-refundable income tax credit for individuals who install solar equipment in their principal residence, business tax credits for investments in solar equipment, a \$100-million program to provide support for loans to owners of family dwellings who install solar heating and cooling equipment in their residential units, and a \$100-million program for demonstrating solar devices in Federal buildings.

Both Federal and many State governments are working to remove one or more constraints. State efforts have emphasized financial incentives and many have enacted legislation aimed at removing the legal constraints. The Federal Government's activities have generally focused on (1) developing standards governing the design, installation, and performance of solar heating systems, (2) cooperating with industry in developing a certification process to verify how well solar equipment meets existing standards, (3) developing model legislation and codes, and (4) creating a network of regional solar energy centers. However, GAO found that State and Federal efforts have not

yet evolved into a comprehensive and uniform approach to effectively encourage the use of solar heating systems. The tax credit provisions of the NEA are likely to have their biggest impact on encouraging the use of solar water heaters for residential use. But because of their high cost and economic drawbacks, the use of other solar heating applications are not expected to have much of an impact. The other provisions of the NEA will not be nearly as significant as what is expected to result from the tax credits. Overall, if successful, the initiatives enacted under the NEA should greatly expand the solar industry. However, in terms of energy saved or replaced by 1985, the impact will not be large. Furthermore, there is a need for a clearly defined national commercialization strategy for solar heating systems.

Recommendations: The Secretary of Energy should (1) establish a detailed commercialization strategy for solar heating systems, which should identify, and indicate how best to overcome, constraints to using the systems, as well as clearly delineating the roles and responsibilities of the Federal, State, and local governments and industry in commercializing the systems with specific goals and time frames for overcoming these constraints, (2) in cooperation with other Federal agencies, expedite efforts to develop standards governing the installation, design, and performance of solar heating systems, prescribe a certification process for verifying that the systems meet these standards, and formulate model legislation and codes for overcoming legal constraints, (3) work together with State and local governments in implementing the components of the strategy and establish procedures and guidelines for providing informational and other appropriate assistance to the States, (4) monitor the success of the various provisions of the NEA aimed at encouraging the use of solar heating systems and annually report the findings, which should include the number of installations resulting from the incentives and the equivalent energy savings, to the Congress; and (5) as part of these reporting procedures, inform the Congress on ways to improve the overall effectiveness of the NEA provisions, including the magnitude of additional incentives that might be needed to encourage greater use of those solar heating applications, especially commercial applications, which, without additional incentives, are projected to have very little use prior to 1985.

UPDATE:

The Department of Energy (DOE) agreed that the recommendations were necessary. It has begun to work on

a national commercialization strategy which will include solar energy. However, a detailed commercialization strategy has not been developed to date. DOE has also begun working towards the goals of greater cooperation with other Federal agencies and with State and local governments.

3. The 20 Percent Solar Energy Goal--Is There a Plan To Attain It? EMD-80-64, 3/31/80

SUMMARY:

GAO was requested to examine the efforts being taken by the administration and the Department of Energy to attain the President's goal of meeting 20 percent of the Nation's energy needs from solar resources by the year 2000. This goal assumed a strong, concerted effort by Federal, State, and local governments, private industry, and energy consumers. In his Solar Message of June 20, 1979, the President named approximately 50 key elements or actions relating to the attainment of the solar goal and established the Solar Subcommittee as a permanent standing subcommittee of the Energy Coordinating Committee to monitor and direct all Federal solar programs. While actions are underway towards several legislative initiatives, and the Solar Subcommittee has been created, none have yet been finalized. The primary concern of GAO related to the total lack of a comprehensive plan for attaining the solar goal.

Recommendations: The Secretary of Energy should develop a plan to attain the 20-percent solar goal and periodically review this plan to determine its effectiveness. Further, the Secretary should furnish the plan to the congressional oversight and budget committees as soon as possible so that it can assist the committees in their deliberations on solar energy policy and budget matters.

UPDATE:

The Department of Energy agreed with the recommendations and has begun the preliminary phases of developing such a plan. The Department's solar program offices are developing market sector strategies which will identify key markets for each solar technology, interim programmatic cost and performance goals, and milestones to achieve the 20-percent solar goal. Results from these preliminary strategies will be incorporated in the development of the Department's solar implementation plan and in preparation

of the third National Energy Plan. According to the Department, its plan will project energy contributions by solar technology and major market sectors, establish interim goals, and estimate resource requirements, and will also contribute to the preparation of an overall Federal solar development plan that the Department intends to recommend to the Energy Coordinating Committee.

4. Solar Energy Research Institute and Regional Solar Energy Centers: Impediments to Their Effective Use. EMD-80-106, 5/18/80

SUMMARY:

The Department of Energy (DOE) has designated its Solar Energy Research Institute and Regional Solar Energy Centers as lead institutions for solar development and commercialization. Confusion and conflicts have existed over the roles of the Institute and the Regional Centers in the solar programs. DOE has failed to assign to the Institute and the Regional Centers the responsibilities necessary to achieve their lead roles, and there have been conflicts between the Institute and the Centers over the responsibilities for commercialization efforts.

Recommendations: The Secretary of Energy should take actions to ensure that the Institute and the Regional Centers are effectively integrated into the Federal solar program. At a minimum, the Department should use the Institute and Regional Centers as its lead institutions for solar energy development and commercialization, as intended. As part of this action, the Secretary should assign tasks and responsibilities to these entities that are consistent with their lead institution roles. Particular attention should be given to the leadership role in solar commercialization in view of the confusion which now exists. The Secretary should improve the planning process and developing the Institute's and the Regional Centers' activities. Improving the process should entail the development of more timely and clear guidance for these organizations which would permit the development of plans by the Institute and Regional Centers which meet established schedules and the needs of DOE. Some flexibility should be incorporated into the planning process to permit the Regional Centers to undertake activities to address specific regional solar commercialization needs. The Secretary should also ensure that multiyear plans are satisfactorily developed this year to provide needed stability to the Institute and the Regional Centers. Finally, the Secretary should monitor the

effectiveness of the Department's reorganization of its solar program with regard to integrating the Institute and the Regional Centers into the Federal solar program and using them as lead institutions.

1458 International Agricultural Research and Extension:

1. U.S. Participation in International Agricultural Research. ID-77-55, 1/27/77 *(See Title XII--Related Reports)
2. Agency for International Development Needs To Strengthen Its Management of Study, Research, and Evaluation Activities. ID-79-13, 2/12/79 *(See Title XII--Related Reports)

1459-1470 Studies, Funding, and Miscellaneous Provisions:
(No GAO Reports Issued)

TITLE XV -- Rural Development And Conservation

1501 Agricultural Conservation Program:

1. To Protect Tomorrow's Food Supply, Soil Conservation Needs Priority Attention. CED-77-30, 2/14/77

SUMMARY:

There are three major Department of Agriculture programs to assist farmers in establishing enduring soil conservation practices to control erosion and preserve the topsoil necessary for crop production. The Conservation Operations Program provides technical assistance to help farmers develop conservation plans and apply conservation measures. The Agricultural Conservation Program channels Federal money to farmers and ranchers to share the costs of carrying out conservation practices on their land. The Great Plains program is a special Federal effort to help combat the unique climatic hazards in the Great Plains by technically and financially helping farmers and ranchers to change crop systems and land uses to conserve soil and water.

GAO reported to the Congress that much of the money is not being spent on critically needed soil conservation practices having the best payoffs for reducing erosion. In addition, the programs tend to be oriented to individual farmers who seek advice or volunteer to participate in programs.

Recommendations: The Department of Agriculture should seek out and offer assistance to farmers who have the most severe erosion problems and give assistance priority to erosion control measures that provide critically needed, enduring soil conservation benefits. Also, the Congress should clarify the Agricultural Conservation Program's legislation concerning the types of conservation practices that should be funded.

UPDATE:

The Food and Agriculture Act of 1977 amended the law authorizing the Agricultural Conservation Program to place more emphasis on the funding of enduring conservation and environmental enhancement projects.

In May 1978 GAO testified on this and other Agriculture programs before the Subcommittee on Agriculture, Rural Development, and Related Agencies of the Senate Committee on Appropriations. At the initiative

of this Subcommittee, and based on language GAO provided concerning the types of conservation practices that should be funded, appropriations legislation for the 1979 and 1980 Programs reflected GAO's recommendations to emphasize the funding of critically needed conservation practices and to limit spending on production-oriented practices that have little or no conservation or pollution-abatement benefits.

The Soil Conservation Service and Agricultural Stabilization and Conservation Service incorporated GAO's recommendations into their regulations and procedures, re-directed the 1979 Program to eliminate production-oriented practices, and developed a national program for 1980 consisting of those practices which meet congressional and executive directives.

2. Improvements are Needed in USDA's Soil and Water Resources Conservation Act Reports. CED-80-132, 9/3/80

SUMMARY:

After spending more than 2 years and \$11 million, the Department of Agriculture has not fully complied with the intent of the Soil and Water Resources Conservation Act of 1977 because it has not evaluated each of its 34 soil and water conservation programs. The act intended the Secretary to periodically appraise U.S. soil and water resources and use this information to develop and update a national soil and water conservation program.

Recommendations: Although not required by the Act, Agriculture's reports also should include additional information on the effects of water conservation. This is needed to realistically project water savings and to assist the Congress and Federal agencies in making decisions on future water programs.

1502-1511 Various Programs and Provisions:

1. Problems Affecting Usefulness of the National Water Assessment. CED-77-50, 3/23/77

SUMMARY:

The Water Resources Council is conducting the 1975 National Water Assessment in cooperation with Federal, State, and regional agencies. Scheduled for completion in December 1977, the project should cost \$6.8 million. Problems have appeared raising doubts about the reliability and usefulness of the assessment. The agencies

involved have been unable to resolve some discrepancies in the water data and some have questioned the assessment's usefulness. The assessment is designed to indentify future national and regional water needs and compare Federal and State regional viewpoints on such problems. The large discrepancies discovered when federally prepared data was compared with regional data developed because the accumulation of water supply and use data involves many factors, such as data sources, methodology, assumptions, and judgments, which can cause significantly different results.

Recommendations: The Council should give full publicity and visibility to the objectives and intended uses of the 1975 assessment so that the final document is responsive, to the maximum extent possible, to the needs of the user agencies. The Council should reappraise the objectives of a periodic national assessment and the way it is carried out. It should also reappraise the methodology employed in developing national water data and improve Federal, State, and regional coordination in establishing a reliable data base.

UPDATE:

The GAO recommendations were not implemented.

2. Examination of the Rural Telephone Bank's Financial Statements For the 15-Month Period Ended September 30, 1976. FOD-77-02, 5/12/77

SUMMARY:

The financial statements of the Rural Telephone Bank present fairly its financial position as of September 30, 1976, the results of its operations and the changes in its financial position for the 15-month period.

3. Farmers Home Administration Use of Grant Funds For Water and Waste Disposal Systems. CED-77-109, 8/17/77

SUMMARY:

GAO was asked why the Farmers Home Administration has not always provided the maximum funds allowed by law or its own regulations in providing grants for water and waste disposal systems in rural areas. Of the 650 projects receiving grants in fiscal year 1976 (through June 30), 479 (66 percent) did not receive the highest possible grant.

The Agency said the basic goal is to reduce payments to a reasonable level for farmers, ranchers, rural residents, and other eligible rural users, and that after considering all funding on the projects covered by the analysis, this goal has been accomplished. It said it was not willing to adjust grant amounts on the projects already financed because it would set a precedent difficult to change.

4. Improvements Needed In the Administration of FmHA's Water and Waste Disposal Programs. CED-77-116, 9/1/77

SUMMARY:

Lack of documentation prevents determination as to whether Farmers Home Administration is complying with the "credit elsewhere" provision of the water and waste disposal program. Borrowers' files are not always reviewed to determine ability of borrowers to refinance their water and waste disposal loans. Current requirements for maintaining reserve funds do not insure that a system will remain viable over the life that a system will remain viable over the life of the loan. The agency's methods for compensating engineers penalizes them for designing the most economical system and can result in an excessive cost for the system.

5. More and Better Uses Could Be Made of Billions of Gallons of Water by Improving Irrigation Delivery Systems. CED-77-117, 9/2/77

SUMMARY:

Billions of gallons of water seep from inefficient irrigation delivery systems in the Western States. By reducing such seepage, more water could be available for crop irrigation, energy development, environment improvement, and recreation. No Federal agency has taken a leadership role in identifying all aspects of the problem or recommending a comprehensive action program. Because the Department of the Interior accounts for about 90 percent of the Federal funds involved in projects that irrigation delivery systems, GAO recommended that the Department should assume such a role.

This work was a followup to an earlier GAO report^{1/} which showed that irrigation is a relatively inefficient

^{1/}Better Federal Coordination Needed To Promote More Efficient Farm Irrigation (RED-76-116, 6/22/76)

water use, since under present practices, less than half of the water delivered for irrigation is actually consumed by the crops.

UPDATE:

This report received a substantial amount of press coverage, particularly in the 17 Western States, and led to the forming of the Interagency Task Force on Irrigation Efficiencies.

6. FmHA's Business and Industrial Loan Program Can Be Improved. CED-77-126, 9/30/77

SUMMARY:

The business and industrial loan program of the Farmers Home Administration (FmHA) was established to help to save and create jobs in rural areas. The Congress appropriated and the agency obligated about \$550 million in loans during fiscal years 1974 and 1975, of which \$117 million was designated for programs in Alabama, Arkansas, Georgia, Louisiana, Mississippi, and Tennessee. The Congress needs accurate data to judge the program's effectiveness. Although the agency reported that 29,800 jobs were saved and created in fiscal year 1975, data supplied by the borrowers on loans showed that only about 11,000 jobs were saved and created. The higher number included figures for loans which had not been approved or which had been deobligated as of June 30, 1976. Further, the job data supplied by borrowers for 27 loans reviewed was overstated by more than 100 percent. The agency is developing a management information system for all its programs, but the accuracy of the information put into the system needs to be verified.

Recommendations: FmHA should take a number of actions to more accurately report accomplishments so that the Congress can better determine the program's effectiveness, improve loan application assessment, provide better loan servicing, and increase guidance to borrowers. In addition, action should be taken to attain enough qualified staff.

UPDATE:

To more accurately report accomplishments, FmHA said that it will implement a manual reporting system to provide the needed job data and that when a unified

management information system is implemented, it will be able to provide updated reports on employment figures for management and the Congress. FmHA saw many disadvantages of obtaining and disseminating information to its field offices.

FmHA said that many of the program deficiencies indicated by the report had been improved considerably by further training of personnel, revision of its regulations in December of 1975, and the use of new project summary form developed in July 1976. FmHA will assess the need for a lender's handbook setting forth lender's responsibilities in approving loans. It has also revised its regulations to require the use of qualified appraisers and said that its forms provide for the use of fair-market values.

FmHA agreed that current financial statements are desirable and should be secured at the time the application is accepted but indicated that this was difficult in some cases because the processing time for its loans is sometimes lengthy. The agency said that while it agrees that in refinancing debts it is desirable to keep the lender from reducing its exposure, as a practical matter, this is not always feasible. Finally, FmHA cited a reduction in personnel of 10 percent as an impediment to hiring employees with educational and technical backgrounds needed to more adequately implement its programs.

7. California Drought of 1976 and 1977--Extent, Damage, and Governmental Response. CED-77-137, 10/19/77

SUMMARY:

With the drought persisting through 1976 and 1977, surface water supplies in some parts of California dwindled sharply, and large quantities of ground water were extracted to make up the shortage. The drought did the most damage to California's agriculture, especially the livestock industry. Federal, State, and local government response has been generally adequate to cope with the drought.

The State water plan shows that dependable water supplies will not provide for State needs through the year 2000, even if certain conditions are met. These conditions include completion of planned Federal, State, and local surface and ground water projects, as well as reclamation and reuse of wastewater. To compensate,

more ground water will have to be extracted than is replaced. Continued, excessive extraction of ground water can lead to land subsistence, poor water quality, and high energy costs as pumping depths increase. State-proposed alternatives to drawing more ground water could make up much of the projected deficit, but whether such alternative supplies can be made available or the planned water projects will be developed is questionable. Substantial Federal investment in water resources development will be required to implement the State plan.

Recommendations: The Secretary of the Interior should request the State and other applicable agencies, as they consider necessary, to establish a task force to reexamine the State plan to determine the best ways to meet the projected future water demands.

UPDATE:

In August of 1979 California State and Federal officials signed a memorandum of understanding covering State-Federal coordination in water project planning and authorization. The memorandum called for 13 steps that would insure more coordinated water management in the State.

8. FmHA Needs to Better Plan, Direct-develop, and Control Its Computer Based Unified Management Information System. CED-78-68, 2/27/78

SUMMARY:

The Unified Management Information System is a computer based information system under development by the Farmers Home Administration. This new system is designed to deliver better management information to all offices and levels within the agency. It is also intended to improve service to rural Americans seeking financial assistance. Recommendations made in this report will help the agency to more effectively

- schedule resources and completion dates,
- monitor life cycle costs for developing and operating the system,
- plan and develop the system consistent with users needs,

- develop test plans for the two system alternatives,
- evaluate the impact of organizational changes on the system, and
- exercise top management control.

9. Management of FmHA's Water and Waste Disposal Program Needs to Be Strengthened. CED-78-61, 3/13/78

SUMMARY:

The Farmers Home Administration helps needy rural communities construct or improve water and waste disposal systems. However, funding requirements on a State-by-State basis are not known. The Farmers Home Administration should (1) determine these requirements for allocating funds to each state and (2) obtain sufficient information to evaluate the program and the operations of individual borrowers. Clarification is needed on whether the Farmers Home Administration's policy of extending reamortized loans beyond 40 years is consistent with the authorizing legislation.

10. Difficulties In Coordinating Farm Assistance Programs Operated By Farmers Home Administration and Small Business Administration. CED-78-118, 5/25/78

SUMMARY:

GAO reviewed how well Farmers Home Administration coordinated their farm assistance programs.

The many differences between the two agencies' disaster programs make it difficult for them to effectively coordinate their efforts and can result in confusing and inequitable situations for farmers.

Farmers Home Administration does not make loans to farmers able to obtain credit elsewhere; the Small Business Administration does. If this key difference were eliminated, there would be little need for the Small Business Administration to operate farm disaster programs.

Farmers' use of the Small Business Administration's regular programs has been relatively light and would probably diminish if proposed legislation liberalizing Farmers Home Administration's programs is enacted.

11. Actions Needed to Make FmHA's Disaster Programs More Equitable and Efficient. CED-78-136, 8/18/78

SUMMARY:

GAO reviewed the operation and administration of the Farmers Home Administration's emergency disaster and emergency livestock credit loan programs in South Dakota. Although these programs assisted eligible farmers and ranchers with their operations after disasters or during adverse economic conditions, FmHA needs to make the program more equitable and efficient.

12. Better Water Management and Conservation Possible--But Constraints Need To Be Overcome. CED-79-1, 10/31/78

SUMMARY:

Previous GAO reports identified improvements needed in the Bureau of Reclamation's implementation of agricultural water management and conservation practices, but it was recognized that institutional and legal constraints would affect the Bureau's ability to implement recommended changes. In 1977 the Bureau began a study to accelerate the identification of its projects and those of the Bureau of Indian Affairs in which opportunities existed to make better use of water supplies.

The study does not deal adequately with constraints and, therefore, has limitations as a basis for ranking projects. The following categories of constraints impede efforts to promote better water management and conservation: the legal right to water saved by irrigators, high cost and repayment requirements of improving irrigation efficiencies, adverse effects on other water uses due to water-saving practices, rights of irrigators under long-term contracts which do not provide for adjustments of water rates and quantities, and lack of data on the nature and extent of the Federal role for achieving irrigation efficiencies. Water banking, the temporary transfer of a user's right to unneeded water to an intermediary who would make it available to a user who needs it, can overcome some major constraints to carrying out improved water use practices.

Recommendations: The Bureau of Reclamation should analyze and seek solutions to constraints in its study efforts and examine the following potential solutions for overcoming constraints: water banking, consideration of

basinwide benefits resulting from improving irrigation systems in its loan determinations, and improvement of access to contract terms and development of conservation-oriented standard contract language. The resources committed to these examinations and to the Bureau's studies should be based on the results of a study by the Inter-agency Task Force on Irrigation Efficiencies.

UPDATE:

The GAO recommendations were not implemented.

13. Review of the President's June 6, 1978, Water Policy Message. CED-79-2, 11/6/78

SUMMARY:

The President's June 6, 1978, water policy message contained the following objectives: improved planning and efficient management of Federal water programs to permit the construction of water projects that are cost-effective, safe, and environmentally sound; a new national emphasis on water conservation; enhanced Federal/State cooperation; and increased attention to environmental quality. He also issued directives outlining action to be taken by Federal agencies in implementing his policy initiatives and establishing a timetable for completion.

The water policy is a progressive attempt to reform water resources development practices, but some of the objectives may not be met by the initiatives. For example proposed principles and standards need to be more specific, the proposal that the Water Resources Council (WRC) perform an independent water project review may not achieve the desired results because the WRC is not independent of agency influence, project selection criteria require identification and clarification, and Federal/State cost-sharing inconsistencies and inequities should be addressed. Recommendations in the message relating to the following were supported: modifications to financial assistance and housing assistance programs, encouragement and assistance for water conservation, and changes in irrigation repayment and contract procedures. Areas not addressed by the policy include the need to establish a clearinghouse for water conservation practices involving municipal and industrial water supplies, the need to solve constraints which impede implementation of better water management, and the need to better define the Federal role in promoting

better water management. Also, greater priority should be given to water quality issues.

14. Ways To Resolve Critical Water Resources Issues Facing the Nation. CED-79-87, 4/27/79

SUMMARY:

Unresolved issues in the control of water resources are discussed, and some alternative solutions are suggested. The Corps of Engineers takes about 26 years from initial authorization to the start of construction for flood control projects. To improve this situation, GAO identified alternatives that would hasten construction but would lessen congressional controls, thereby giving more authority and responsibility to the Corps. The procedures for calculating benefit/cost ratios used in evaluating water resources projects are not sufficiently objective and impartial. To make the benefit/cost analysis more reliable, the following alternatives are suggested: establishing an independent review function in either the Water Resources Council or the Office of Management and Budget, establishing a new independent review board in either the executive or legislative branches, or creating a new independent agency for benefit/cost analysis. Problems occur in many areas because ground water is used from an aquifer faster than the water in the aquifer is being replenished. Many dam owners lack the money, willingness, or understanding to take remedial action recommended by the Corps. Reclamation law objectives of breaking up large private landholdings, spreading the benefits of the subsidized irrigation program to the maximum number of people, and promoting the family-size farm are not being achieved. Questions exist concerning the practicality of limiting the use of water from Bureau projects to a landowner's 160 acres of irrigable land. It has been suggested that State and local control over water resources projects should be increased after national water policy and priorities are established.

15. Better Regulation of Pesticide Exports and Pesticide Residues in Imported Food Is Essential. CED-79-43, 6/22/79

SUMMARY:

American agricultural imports in fiscal year 1977 totaled over \$13 billion making other countries' pesticide practices increasingly important because pesticide

residues may be on these imports. The Food and Drug Administration (FDA) has identified neither the pesticide practices nor all pesticides used in other countries. Such knowledge is essential if the agency is to make sure that food imports do not contain harmful residues of pesticides that have been suspended, canceled, or never registered in the United States. In addition, the Environmental Protection Agency (EPA) has neither fully informed other governments of pesticide restrictions, cancellations, and suspensions in the United States nor revoked tolerances for residues of pesticides suspended or canceled for food uses.

EPA has not canceled over 297 tolerances for pesticides whose uses have been suspended and canceled up to 6 years ago due to adverse human or environmental harm. Continuing tolerance and/or action levels without adequate determinations as to safety and avoidability mislead and condone other countries' use of hazardous pesticides. Half of the imported food that FDA found to be adulterated during a 15-month period was marketed without penalty to importers and consumed by an unsuspecting American public. EPA needs to monitor exported pesticides more vigorously not only to alert other governments to the dangers of specific products but also to provide information to FDA that would be useful in its imported food monitoring program.

Recommendations: GAO made numerous recommendations to EPA, Department of State, and HEW to improve the regulation of pesticide exports and pesticide residues on imported food.

UPDATE:

The GAO is currently identifying what agency actions have taken place as a result of each of the recommendations.

16. Examination of the Rural Telephone Bank's Financial Statements For the Fiscal Year Ended September 30, 1979. CED-80-77, 4/11/80

SUMMARY:

This report summarizes the results of our examination of the financial statements of the Rural Telephone Bank, Department of Agriculture, for the fiscal year ended September 30, 1979. The financial statements for the year ended September 30, 1978, were not examined

by GAO, and therefore no opinion was expressed. In GAO's opinion, the Bank's financial statements present fairly its financial position as of September 30, 1979, and the results of its operations and changes in financial position for the period then ended, in conformity with generally accepted accounting principles.

17. Problems Plagued Department of Agriculture's Grasshopper Control Program In 1979. CED-80-95, 8/11/80

SUMMARY:

The 1979 grasshopper infestation in 17 Western States was the worst since the 1930's. The Department of Agriculture's program to control the grasshoppers was not effective because it was badly managed, it was not adequately coordinated among Federal and State officials and local ranchers and farmers, and spray aircraft sometimes were not available when needed.

Recommendations: The Department needs to study whether future programs should include cropland and whether participation by all land owners in a control area should be mandatory.

UPDATE:

The Department's Animal and Plant Health Inspection Service is taking action to avoid such problems in future programs.

18. Rural Electrification Administration Loans to Electric Distribution Systems: Policy Changes Needed. CED-80-52, 5/30/80

SUMMARY:

The Rural Electrification Administration has been making subsidized loans to rural electric distribution systems since 1935. Do these systems continue to need such loans? For many, the answer is yes. Some may need even more assistance to help them charge electric rates comparable to those of their urban counterparts. But others could obtain loans from private sources and still charge comparable rates.

Recommendations: REA policies should be revised to better evaluate each system's needs for subsidized loans. In this way, more progress could be made in achieving the program objective of helping systems to become financially self-sufficient, and additional assistance could be given to those with greater needs.

19. FDA's Regulation of Gentian Violet Appears Reasonable.
HRD-80-91, 8/14/80

SUMMARY:

The Food and Drug Administration has not approved the use of gentian violet as a food additive or as an animal drug. GAO found no indication that FDA's position was unreasonable or that regulatory actions taken by FDA were improper. In 9 of 10 cases where FDA regulatory actions were challenged in court the courts agreed with FDA's position on the use of gentian violet for veterinary purposes.

GAO also reviewed allegations of FDA harassment of three firms that have sold or requested FDA approval to sell veterinary products containing gentian violet. No evidence was found to substantiate these charges.

20. Ground Water Overdrafting Must Be Controlled. CED-80-96,
9/12/80

SUMMARY:

The demand for water in many areas of the Nation is being met by overdrafting ground water, extracting more ground water than will be replenished over a long period of time. Overdrafting is not necessarily bad; however, if it is continued indefinitely, the resulting problems may ultimately affect the Nation's ability to meet ever-increasing demands for food and other agricultural products. Therefore, GAO undertook a review of the numerous problems associated with ground water overdrafting to determine the seriousness of the overdrafting problems in States and communities that have not implemented ground water control.

GAO found that overdrafting is most serious in the arid and semiarid Western States where irrigation of crops accounts for over half of all ground water use. Several problems can result from overdrafting, such as: (1) land subsidence, (2) saltwater intrusion into freshwater aquifers, (3) reduced surface water flows, (4) increased energy consumption, and (5) disruption of social and economic activities. Some States, such as Colorado, New Mexico, and Florida, have generally succeeded in controlling overdraft of their underground aquifers. However, other States, such as California and Arizona, currently impose little if any control on the use of ground water; and both States suffer serious overdraft problems. Although the Federal Government only

manages water resources on Federal lands, it has assisted States with overdraft problems by constructing multipurpose water development projects to replace or supplement ground water.

Recommendations: The Congress should direct the Departments of the Interior, Agriculture, and the Army to require, before start of construction on any water resources or ground water depletion mitigation project, that the affected State or community implement or have specific plans to implement a program or some means for controlling ground water pumping and a water conservation program.

UPDATE:

The GAO recommendation has not be implemented.

21. Rural Water Problems: An Overview. CED-80-120, 8/19/80

SUMMARY:

An overview is presented of the difficulties faced by 28 rural communities in 10 States in obtaining drinking water. Many existing central water systems have deteriorated and need to be repaired or replaced. Other systems need to be expanded. In some areas, additional systems need to be developed. Water shortages have prevented the development or expansion of some central systems, but the most important factor inhibiting the development, expansion, repair, and replacement of central systems is the lack of funds. While both Federal and State Governments provide financial aid for rural central water systems, rural needs are greater than the funds available. Nationally, the United States has an ample supply of water, but regional and local shortages exist because of intensive use and competition, lack of developed water supply facilities, financial difficulties, and water scarcity. The full extent of rural water development problems or the cost of solving them is not really known.

Federal efforts currently being made to improve water management programs include two Federal studies to be completed in the fall of 1980. Additionally, efforts have been initiated that include making Federal programs more accessible and better suited to rural communities, improving coordination of the various Federal programs, and further stretching limited budgets. GAO raised the following questions for consideration by Federal and State agencies in the planning and administration of rural

water development: (1) Should the Federal Government take a more active role in rural water management? (2) Should the Farmers Home Administration revise its loan program? (3) Should the Federal Government require greater State participation in refinancing rural water systems? (4) Should Federal rural water developmental efforts and programs be consolidated under one agency? (5) What additional role, if any, can the Federal Government play in developing water supply facilities, particularly in water-short areas?

22. Improvements Are Needed in USDA's Soil and Water Resources Conservation Act Reports. CED-80-132, 9/3/80

SUMMARY:

GAO reviewed the Department of Agriculture's (USDA) efforts to promote better water management and conservation, focusing on whether USDA reports required by the Soil and Water Resources Conservation Act of 1977 will contain useful and accurate information for making future water program decisions. The reports do not fully comply with the act's intent. Initial evaluations by USDA included fewer than half of its current soil and water conservation programs. Evaluation of current programs is incomplete. Field personnel have problems developing information for the reports. Implementing water conservation techniques would require less energy because the amount of water pumped to irrigate crops would be reduced, reduce agricultural water pollution problems, improve fish habitats, and alter streamflows. Institutional and social constraints greatly affect how much water can be saved. The inability to readily transfer water rights is inefficient because it can lock water into relatively low-value historical uses. By not using a water right, a farmer can lose the right, a situation which often causes some farmers to use excessive water. Low-priced water is a major constraint on water conservation because it offers users no incentive to save. Longstanding social attitudes and customs about water development and use are regarded by many Federal and State water experts as major constraints to implementing water conservation. The Soil and Water Resources Conservation Act clearly intended that USDA evaluate, on a continuing basis, each of its 34 current soil and water conservation programs and to periodically report the results to the Congress. Failure to comply with the act's intent is due primarily to USDA's early decision to limit the analysis to certain programs. USDA would also increase the usefulness of its reports by including additional pertinent data.

Recommendations: The Secretary of Agriculture should amend USDA's continuing soil and water resources appraisal process to include in the 1980 reports and all future reports to the Congress an assessment of the effects of water conservation, including both advantages and disadvantages on achievable water savings, and a determination of the impact of institutional and social constraints on achievable water savings.

UPDATE:

The GAO recommendations have not been implemented.

23. Financing Rural Electric Generating Facilities: A Large And Growing Activity. CED-81-14, 11/28/80

SUMMARY:

The Rural Electrification Administration is providing billions of dollars of loans and loan guarantees to finance the construction of electric generating plants and related facilities in rural areas. In fiscal year 1979 such financing totaled about \$5.5 billion and, based on projections, could more than double in 1990.

This report provides information on how such financing is provided and budgeted for and on REA's policies and procedures governing loans and guarantees made to power supply systems, including

- the need to include REA loans and guarantees in Federal budget totals and to attain greater private credit involvement in financing borrowers' needs;
- opportunities for improving the planning of power supply systems; and
- lessons to be learned from the Coal Creek Power Project, a project with large cost overruns and other problems.

TITLE XVI -- Federal Grain Inspection

1601-1608 Various Provisions:

1. Progress and Problems in Implementing the Grain Standards Act of 1976. CED-78-73, 2/27/78

SUMMARY:

The U.S. Grain Standards Act of 1976 requires the Department of Agriculture to revise, improve, and expand the national grain inspection system and to establish a national weighing system. The Department and GAO are required to conduct studies of inspection and weighing procedures and management practices in the interior marketing areas. An interim review of the progress the Federal Grain Inspection Service was making in implement the 1976 act revealed that the Service was experiencing problems in acquiring and training sufficient personnel, both in Washington and in the field. As of January 1978, the Washington staff of the Service had only 65 percent of projected staffing levels. Expanding the size and capabilities of the Standardization Division staff has been particularly slow. This has slowed progress in carrying out the study of grain standards required by the act. Although the Service is required to report to the Congress on the findings of the study and actions taken as a result by November 20, 1978, it was not until the first week in February 1978 that the staff began public meetings to obtain suggestions from grain producers and merchandisers concerning revisions in the grain standards.

2. Federal Export Grain Inspection and Weighing Programs: Improvements Can Make Them More Effective and Less Costly. CED-80-15, 11/30/79

SUMMARY:

An evaluation was made of the official inspection and weighing systems for U.S. grain being exported to foreign buyers as they are implemented at U.S. export locations. The systems are required by the Grain Standards Act of 1976 and are administered by the Federal Grain Inspection Service (FGIS). Foreign buyers perceived some improvements in the quality and weights of U.S. grain shipments since the act was passed. However, further improvements in the inspection and weighing programs are needed. The factors causing quality problems included (1) the proportions of grain tested were not standardized and the grain standards allowed the presence of some

insects, (2) inspection producers did not assure that all grain in a shipment was within grade requirements, (3) actual amounts of dockage were in excess of the certified amounts due to rounding procedures, and (4) grain standards are too lenient.

While the act requires that all grain transferred into and out of an export elevator be officially weighed, grain companies oppose paying for the high cost of inbound weight supervision, particularly when the elevator already owns the arriving grain. GAO felt that weight supervision for truck and rail shipments could be reduced, with reasonable control over the accuracy of the weights being maintained. Many instances were noted where personnel were not performing their duties properly, and many deficiencies in the program can be attributed to the lack of proper training. The Department of Agriculture's formal complaint system is inadequate and a program which would provide systematic feed back of destination quality and weight data is needed for improved monitoring of shipments.

Recommendations: The Congress should amend the Grain Standards Act to provide the FGIS Administrator with the authority to reduce the amount of weight monitoring required on truck and rail shipments arriving at export elevators.

The Secretary of Agriculture should direct the Administrators of FGIS and the Foreign Agricultural Service to establish procedures to standardize the proportion of grain tested for infestation and require that all infested grain be certified as such or fumigated; revise shiploading instructions to prohibit the loading of offgrade grain in a shipment for multiple buyers; prohibit combining samples unless the grain represented is mixed properly during loading; develop dockage certification instructions to assure uniform shipment quality and revise the grain standards to require that dockage grading be certified to the nearest one-tenth of a percent; modify the grain inspection monitoring system to define and maintain an adequate level of inspector monitoring and develop a monitoring system to better serve field officials; require that inspection certificates issued in Canada be annotated, similar to those issued in the United States, when samples are obtained by means other than a diverter-type sampler; develop and implement procedures and instructions for those weight monitoring activities not covered adequately by current FGIS instructions, and for supervising weight monitoring performed by FGIS personnel and delegated State agencies at export locations; require

that personnel be adequately trained before they are assigned weight monitoring duties and strengthen the program for developing supervisors; revise inspection procedures to require that protein content be computed and reported on a standard moisture basis; use existing export monitoring programs to monitor the efforts of the U.S. grain trade to improve the quality of exports of grain and grain products not covered by the act, and if problems affecting U.S. foreign markets are found, FGIS should develop a voluntary inspection program for grain products and inform buyers that such a service is available and/or develop a legislative proposal to make rice exports subject to inspection and weighing requirements of the act; give priority attention to further developing the system for collecting and analyzing quality and weight data obtained from foreign buyers with FGIS working with foreign buyers to improve their sampling techniques and grain analysis capabilities; develop a program for contacting major end-users on their views as to the quality of U.S. grain; and continue to revise the U.S. grain standards to better meet end-user requirements. The Secretary should direct FGIS to research the need for restricting certain blending practices.

The agencies generally agreed with most of the recommendations and said that they were in the process of implementing some of them. FGIS differed, however, with the recommendations that (1) inspection instructions be revised to prohibit the loading of offgrade grain where a shipment is destined for multiple buyers, (2) the act be amended to reduce the requirement for monitoring the weighing of grain transferred into an export elevator, and (3) the program developed to monitor elevator inventories be curtailed.

UPDATE:

As of August 15, 1980, FGIS had taken actions sufficient to correct certain problems identified in GAO's report. For example, FGIS had

- developed and issued dockage certification instructions to assure uniform shipment quality;
- issued regulations which require that Canadian inspections be performed using mechanical diverter-type samplers, similar to inspections in the United States;

--developed, and was in the process of issuing, instructions for those weight monitoring activities not covered adequately by existing instructions and for supervising weight monitoring performed by FGIS personnel and delegated State agencies at export locations; and

--issued a fact sheet describing inspection and weighing services available for export soybean meal shipments.

FGIS also has continued actions necessary to implement other recommendations, including one recommendation which it had previously disagreed with; i.e., to reduce the amount of weight monitoring required on truck and rail shipments arriving at export elevators. Public Law 96-437, signed October 13, 1980, amended the act to permit grain delivered to export elevators by any means of conveyance other than barge to be transferred into such export elevators without official weighing.

3. Improvements Needed in Department of Agriculture's Certification That Export Shipments Of Grain Conform With Phytosanitary Regulations of Foreign Countries.
CED-80-42, 12/28/79

SUMMARY:

The International Plant Protection Convention provides for international cooperation in controlling insects injurious to plant production and preventing the international spread of insects. Under this convention, plant products offered for export are inspected and phytosanitary certificates attesting that the plants are insect free are issued. The Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) is responsible for the inspection program. A GAO review of the program indicated that the certificates lacked credibility because products were not adequately inspected and APHIS officials lacked up-to-date information on all the importing countries' requirements.

Insect infestation has been one of the most prevalent complaints foreign buyers have made about the U.S. grain they receive. The phytosanitary certificates certify that the grain has been thoroughly examined and that it conforms to the importing country's requirements. At four port locations visited by GAO, grain was not being examined by APHIS personnel; the certificates were issued based on inspections by another Agriculture agency--the

Federal Grain Inspection Service (FGIS)--for a different purpose and using different criteria. At the other two locations visited, certificates were issued based on inadequate inspections by APHIS personnel. No specific guidelines on how much grain should be examined, the method by which such grain should be selected, or the infestation criteria to be followed had been established. Summaries of quarantine import regulations of foreign countries were distributed to certifying officials and exporters, but no systematic procedure for assuring that the summaries were correct and up-to-date had been established. APHIS personnel sometimes certified that a shipment was fumigated without witnessing or otherwise verifying that the grain was actually treated. There was no systematic control over the phytosanitary certificate forms.

Recommendations: The Secretary of Agriculture should direct the Administrator of APHIS to improve the credibility of phytosanitary certificates on grain exports by developing improved policies and procedures for inspecting grain, including the full use of inspection work done by FGIS or its delegated State agencies; updating summaries of foreign phytosanitary regulations periodically to assure that they are correct; avoiding inclusion of statements, such as certification of fumigation, if they have not been adequately verified; and establishing proper controls to account for all phytosanitary certificate forms that are used, spoiled, or available for use, or stop giving exporters blank certificate forms to be used for bulk grain exports.

UPDATE:

APHIS agreed with and has implemented GAO's recommendations. It entered into a new cooperative agreement with FGIS whereby APHIS now makes full use of insect information resulting from FGIS' inspection of the grain. Implementing instructions were transmitted to APHIS' field offices on May 19, 1980, and became effective June 1, 1980.

4. Grain Inspection and Weighing Systems in the Interior of the United States--An Evaluation. CED-80-62, 4/14/80

SUMMARY:

The Grain Standards Act made a number of substantive changes to improve the interior (nonexport) grain inspection and weighing systems and authorized the Federal

Grain Inspection Service (FGIS) to establish an interior grain weight supervision system. Under the existing systems, the Administrator of FGIS designates agencies to provide inspection and weight supervision services, licenses the agencies' inspection and weight supervision personnel, and supervise the agencies' operations. The act also required GAO and the Department of Agriculture (USDA) to study the systems and required GAO to submit a report recommending any changes to the act. Pursuant to that requirement, GAO evaluated the interior grain inspection and weighing systems.

The overall structures of the existing systems should be retained. However, some additional improvements are needed to strengthen the grain inspection and weighing services and FGIS controls over the services. Following passage of the act, FGIS initiated action to correct improper rounding of grading results and "grade shaving" and insisted on legal arrangements to avoid or lessen the effects of conflicts of interest and thus protect inspection agencies from grain company influence. The principal areas which still need improvement are (1) the establishment and enforcement of clear and definitive standards for quality controls by grain inspection agencies, (2) the elimination of improper sampling, especially by contract samplers, (3) control over grain sampling and grading accuracy, and (4) effective use of sample regrading results to identify and correct grading problems. In addition to the FGIS weighing system, the Association of American Railroads (AAR) operates a grain weighing system. Nearly all weight supervision on domestic rail shipments of grain in the interior are weighed under AAR supervision. Most of the users of the AAR system expressed satisfaction with its operation, and GAO concluded that although the AAR weight supervision system has some limitations and its service is not always available on all modes of transportation, it serves the interest of the railroads and the grain industry reasonably well. Some improvements were needed, however, in FGIS' grain weight supervision system.

Recommendations: The Secretary of Agriculture should direct the Administrator of FGIS to (1) consult with the House and Senate Agriculture Committees on the promulgation of regulations specifying the criteria or conditions that must be met before the Administrator would implement mandatory official weighing or supervision of weighing at interior locations where official inspection is provided and (2) revise the program instructions for partial (Class Y) weight supervision to require that the weighing of at least 25 percent of the

conveyances or grain lots covered by Class Y weight supervision certificates be observed each shift of each day that such certificates are to be issued. The Secretary should also direct the Administrator to establish clear and definitive standards for the quality controls inspection agencies should maintain over their inspection operations and ensure that the agencies comply with them; take prompt action to resolve the legal and other problems related to inspection agencies' use of contract samplers; periodically review FGIS' followup procedures for detecting and deterring improper rounding and grade shaving to ensure that they are working properly; in making future designations of inspection agencies, carefully consider each agency's past history of compliance with requirements as well as its demonstrated ability to comply with FGIS' quality control standards and to provide quality inspection services; develop and furnish guidance to FGIS field offices to ensure uniformity in the content and scoring of inspectors' technical competency examinations; budget specific staff-years for supervision and monitoring of inspection activities and ensure that adequate priority is given to this important function to maintain a minimum level of coverage of each agency's and licensed inspector's work; implement a sample selection methodology that ensures that the samples selected for regrading are representative of the total inspections performed by each licensed inspector; develop criteria and provide guidance for use by FGIS field offices in identifying potential or actual grading problems and ensure that they make effective use of monitoring system data in identifying, investigating, and correcting inspection problems; and develop procedures and guidance for following up or investigating inspection-related problems, establish clear lines of authority and responsibility for dealing with inspection problems, develop specific criteria for taking action against inspection agencies and licensees to correct problems identified, and develop a system of penalties or sanctions to be imposed against inspection agencies and licensees for violations of the act, regulations, or other requirements, or for substandard performance.

UPDATE:

Except for the recommendation to revise the instructions for partial weight supervision, the Department agreed with GAO's recommendations and outlined the actions FGIS had taken or planned to take. GAO believes its recommendation related to partial weight supervision should also be implemented because it questions the validity and propriety of FGIS' allowing designated weight

supervision agencies to issue Class Y weight certificates on unit trains or other lots of grain on the basis of weight tickets or scale tickets furnished by the weighing elevator rather than on the basis of appropriate independent observations.

TITLE XVII -- Wheat and Wheat Foods Research
and Nutrition Education Act

1701-1719 Various Provisions:
(No GAO Reports Issued)

TITLE XVIII -- Department of Agriculture
Advisory Committees

1801-1809 Various Provisions:
(No GAO Reports Issued)

TITLE XIX -- Effective Date

1901 Effective Date:
(No GAO Reports Issued)

OTHER GAO REPORTS WHICH MAY BE OF INTEREST TO THE
COMMITTEES IN DEVELOPING THE 1981 FARM BILL

1. Marketing Meat: Are There Any Impediments to Free Trade?
CED-77-81, 6/6/77

SUMMARY:

Union/management agreements in some cities, commercial bribery in the meat industry, and manipulation and fixing of meat prices present impediments to free trade in the marketing of meat. Union/management collective bargaining agreements in some cities, mostly in the Midwest, restrict the sale of various forms of fabricated meat by meat packers to merchants and the hours during which retail stores may sell meat to consumers. The various restrictions, which appear to be on the decline, were estimated to affect less than 10 percent of the population. Commercial bribery is widespread in the meat industry. When it occurs, competition is limited, and consumers are likely to pay more for meat. Several pending court suits filed by cattle producers allege manipulation and fixing of meat prices by certain slaughterhouses, principal food chains, and a private meat-price reporting service.

Recommendations: The Secretary of Agriculture should provide increased assurance of compliance with a cease and desist order by including a timely assessment of the packer's planned corrective action in the followup procedures used by the Packers and Stockyards Administration. The Administration should also formalize procedures for referring bribery cases to the Internal Revenue Service and for documenting such referrals and their final disposition. The Secretary of the Treasury should have the Internal Revenue Service advise the Administration of the action taken on bribery cases referred by the Administration and bribery matters involving meat packing firms that come to its attention in the course of income tax investigations.

UPDATE:

In response to the recommendations, Agriculture, effective March 23, 1977, (1) strengthened its procedures for assessing corrective actions by packers to assure compliance with cease and desist orders, (2) formalized procedures for referring bribery payments to the Internal Revenue Service, and (3) clarified the agency's followup procedures on cease and desist orders. The Internal

Revenue Service agreed to advise Agriculture of the action taken on bribery cases referred by Agriculture after such cases have been litigated and become a matter of public record. The Service said that if legislation is enacted making commercial bribery a Federal crime, it will disclose to the Department of Justice information, other than taxpayer return information, which may constitute evidence of a violation of such Federal criminal law.

2. A Better Way for the Department of Agriculture To Inspect Meat and Poultry Processing Plants. CED-78-11, 12/9/77

SUMMARY:

The Federal meat and poultry inspection program provides for inspection of meat and poultry products moving in interstate and foreign commerce. Inspection is essential to protect the health and welfare of consumers and is carried out at slaughter and processing plants. The total Federal meat and poultry inspection cost increased from about \$135 million in 1970 to about \$242 million in 1976--an increase of 79 percent. Under current procedures of the Department of Agriculture's Food Safety and Quality Service, most processing plants are inspected daily, even though an inspector may only spend a few hours each day at a plant. The Service's inspection resources could be used more efficiently and effectively if inspection frequency at processing plants was tailored to the inspection needs of individual plants. Periodic unannounced inspections would allow the Service to inspect more plants or inspect plants needing upgrading more frequently. Upgrading certain plants would provide greater assurance that consumers getting wholesome, unadulterated, and properly branded products. Any system of periodic unannounced inspections should require an in-plant quality-control system. The authority to require plant managements to develop and carry out adequate, reliable quality-control systems should be coupled with authority to apply strong penalties or sanctions when plant managements fail to carry out their responsibilities under these systems.

Recommendations: The Congress should amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize the Secretary of Agriculture to make periodic unannounced inspections of meat and poultry processing plants, require meat and poultry processing plants to develop and implement quality-control systems, and withdraw inspection or impose civil penalties of up to \$100,000 for processing plants failing to

take appropriate action when the quality-control system identifies a deficiency or when plants fail to comply with inspection requirements. If the Congress amends the acts, the Secretary should develop criteria for deciding the optimal inspection frequency for individual processing plants and for assessing penalties within the provisions of the acts. The Secretary should, in cooperation with industry, develop criteria for determining the quality-control systems needed at various types and sizes of processing plants.

UPDATE:

On July 17, 1978, the Department informed the Senate Committee on Governmental Affairs and the House Committee on Government Operations that it would draft a legislative proposal for the 1979 legislative session to amend the Federal Meat Inspection Act and the Poultry Products Inspection Act as recommended by GAO. In December 1978 Department officials said that the legislative proposal was being delayed until the Department could study voluntary quality-control programs at certain processing plants. On September 14, 1979, the Department proposed regulations to provide the Federal inspection necessary to carry out the responsibilities of the acts. In October 1979 Department officials said that by September 1980 the voluntary quality-control program should be operational in at least 50 processing plants. If necessary, after completely testing, analyzing, and evaluating the voluntary quality-control program, the Department plans to draft a legislative proposal to require processing plants to develop and implement mandatory quality-control systems. Also, the Department was preparing a legislative proposal, for submission to the Congress by the end of December 1979, to provide for civil penalties and additional authority to withdraw inspection when processing plants fail to comply with inspection requirements, regardless of whether a plant has an approved quality-control system or is inspected under current Department procedures.

In August 1980 Department officials said the Department was still working on proposed regulations for establishing a voluntary quality-control program and a legislative proposal for civil penalties.

3. Department of Agriculture's Beef Grading: Accuracy and Uniformity Need To Be Improved. CED-78-141, 7/21/78

SUMMARY:

Beef grading provides a basis for price quotations among feeders, packers, suppliers, retailers, and others along the marketing chain and a system for consumers to show their preferences for different qualities of meat. In 29 slaughter plants visited by GAO, 21 percent of 2,215 carcasses were misgraded, and most errors involved overgrading. Beef grading was not consistent from one section of the country to another. Instruments to more accurately measure beef carcass characteristics are needed to correct problems resulting from the subjective nature of grading. Grading inaccuracy has also resulted from management problems. For example, a standard for grading accuracy has not been established, stations varied in methods of improving grader performance, supervisors did not always follow grader monitoring procedures, grading took place under conditions which increased the likelihood of errors, and packers used an informal complaint system rather than a formal process for resolving disputed grades--this could result in harassment of graders. The current grade standards do not fully meet the needs of the beef industry or of consumers. Value differences are not always clear and, because beef sold at retail is not always marked with an official grade, beef can be represented as being of a better quality than it actually is.

Recommendations: The Secretary of Agriculture should increase research efforts to develop instruments to accurately measure carcass characteristics, establish a grading accuracy standard and require graders to meet this standard before being placed in a plant to grade carcasses and require periodic retesting, take steps to insure that graders do not grade carcasses when they cannot make an accurate determination because certain conditions have not been met, require packers to use the formal appeal system for redetermining grades and limit the use of informal appeals, establish criteria on when incorrect grade markings should be corrected and insure that they are uniformly applied, develop a public education program to increase consumer awareness concerning grades, and initiate research on factors not in current standards which may influence meat quality and revise standards if warranted.

UPDATE:

In October 1979 Agriculture announced a proposed rule to revise certain meat grading standards and related regulations. The revised regulations (7CFR 2853) were finalized August 5, 1980, and became effective October 6, 1980. These regulations limit grading to whole carcasses or sides and in the plant in which the animals were slaughtered, require beef carcasses to be ribbed a minimum of 10 minutes prior to being offered for grading, and establish that certain practices designed to alter the ribeye or the fat cover over the ribeye are considered fraudulent and deceptive if the carcass is presented for grading.

Also, as of August 27, 1980, the Department had received bids for the development of a marbling measuring instrument and expected to award a contract soon; had partially completed a study evaluating the abilities of graders and supervisors, the results of which will be used in establishing a grading accuracy standard on which graders will be initially and periodically tested; was in the process of providing refresher courses to graders, including lectures and demonstrations on carcass conditions which may preclude accurate grading determinations; was proposing to develop guidelines for handling appeals at the local level which would minimize repeated or unwarranted requests for supervisory reviews of carcass grades assigned; had put increased emphasis in its consumer education program on those media, such as radio, television, and news articles, which more effectively reach a larger proportion of the consuming public; and had research underway and planned on factors affecting beef quality.

4. Beef Marketing: Issues and Concerns. CED-78-153, 9/26/78

SUMMARY:

Beef is important to consumers' diets as a primary source of protein. About 25 percent of the consumer food budget is spent on meat, and beef accounts for about 60 percent of this amount. Recent rises in beef prices have had, therefore, a strong impact on the public. In the first half of 1978, beef prices rose to record levels. The main reason for the recent price rise appears to be the regular 10-year cattle cycle which has resulted in a decreased cattle inventory. Other factors also affect the final retail price of beef and the entire beef marketing system. There are serious concerns over the increasing concentration and market control within the beef

marketing system and the Government's ability to deal with this concentration. Industry officials believe that prices quoted by the "Yellow Sheet," a publication based on market information, are subject to manipulation. Producers and feeders have also charged that they have little control over prices set by packers and retailers. Groups within the beef industry, the Federal Government, and the consumer movement are concerned about the role of the Government in insuring beef supply safety and quality. Several innovations that are being considered may enhance the ability of one industry segment to control the market, and other innovative practices would affect traditional ways of determining yield and quality. The cattle industry has criticized the practice of importing beef because it depresses prices, but consumers have been the beneficiaries. Although cattlemen have blamed the cattle futures market for price fluctuations, the market is widely used and supporters claim it minimizes price risks and stabilizes the market. Inconsistent State transportation regulations are also a source of concern to beef producers.

UPDATE:

The study briefly describes the beef marketing system and calls attention to some of the more important matters which affect the system and beef prices. GAO also raised a number of questions--for those concerned with the efficient operation of the beef industry and the price of beef--hoping to stimulate further discussion and thought regarding methods to improve the beef marketing system.

Although its work was not done in response to a specific congressional request, GAO briefed the staff of four different congressional committees and congressmen, who had previously expressed considerable interest in the work and had asked for oral briefings. GAO also received a number of letters and inquiries from the press and outside interest groups about the controversial material in the study.

5. Proposed Changes in Meat and Poultry Net Weight Labeling Regulations Based on Insufficient Data. CED-79-28, 12/20/78

SUMMARY:

In December 1977 the Department of Agriculture proposed revised regulations for assuring net weight compliance with Federal weight labeling laws for meat and

poultry products. A review of applicable laws, regulations, studies, and records indicated that the Department has not obtained sufficient data to support the need for changing current regulations, to decide how to deal with moisture loss after a product has been packaged and shipped, to consider the economic impact of the proposed changes, or to comparatively evaluate the alternative weight compliance systems. Various executive orders and GAO reports stressed the importance of collecting and analyzing economic and other data to help choose the least burdensome and most feasible regulatory method of achieving an objective.

Recommendations: The Secretary of Agriculture should direct the Food Safety and Quality Service to expand and extend its search for information concerning the best way to monitor net weight labeling activities for meat and poultry products. Such a search should include a re-evaluation of the need for change; a comparison of available viable alternatives; a comprehensive economic impact statement for each system considered; a thorough and objective analysis of comments from major groups, including State and local government regulatory agencies, industry, and consumers affected by such activities; and research to resolve the packaged meat and poultry moisture loss controversy.

UPDATE:

Based on the results of a 1979 Department study and a preponderance of negative comments from producers and consumers on the proposal, the Department decided not to implement the regulations. On August 8, 1980, the Department issued revised proposed net weight labeling regulations for meat and poultry products.

6. Problems in Preventing the Marketing of Raw Meat and Poultry Containing Potentially Harmful Residues.
HRD-79-10, 4/17/79

SUMMARY:

Federal efforts to protect consumers from illegal and potentially harmful residues of animal drugs, pesticides, and environmental contaminants in raw meat and poultry have not been effective. It is estimated that 14 percent by dressed weight of the meat and poultry sampled by the Department of Agriculture (USDA) between 1974 and 1976 contained illegal substances. Residues of many of these substances have been found in raw meat and poultry, often at levels exceeding established

tolerances. The Food and Drug Administration (FDA), Environmental Protection Agency (EPA), and USDA share responsibility for making sure that only safe levels of drugs, pesticides, and environmental contaminants are in raw meat and poultry. Efforts by the three agencies to protect consumers from illegal and potentially harmful residues have not been effective. The extent to which the public is exposed to illegal residues has not been accurately estimated. Meat and poultry from violative animals is generally marketed before violation is discovered and cannot be recalled. Actions taken to prevent future shipments of residue-contaminated meat and poultry have been inadequate.

Recommendations: The Congress should amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize USDA to quarantine animals from a violative grower and require growers to place an identification tag on animals before they are marketed; the Federal Food, Drug, and Cosmetic Act to make misuse of an animal drug illegal and to authorize the use of civil penalties for residue violations; and the Federal Insecticide, Fungicide, and Rodenticide Act to better enable EPA to identify the possible misuse of pesticides.

The Secretaries of Agriculture and Health, Education, and Welfare and the Administrator of EPA should improve their programs for preventing the marketing of raw meat and poultry containing illegal residues.

7. Long-term Cost Implications of Farmers Home Administration Subsidized and Guaranteed Loan Program. PAD-79-15, 4/24/79

SUMMARY:

Cost implications of subsidized and guaranteed loans made by the Farmers Home Administration were reviewed and a methodology for long-term cost projections was developed by selecting the major lending programs in the agency and identifying the cost components for each. In fiscal year 1979, the authorization request exceeded \$7 billion, but the agency did not identify the future financial obligations for each loan program or for all programs. Some programs have a higher default loss rate, and some use proportionally more agency-provided financial advice than others. Loan program costs were estimated by identifying the incremental costs that would be incurred with the addition of a reasonable increase in funding.

Recommendations: The subcommittee concerned should specify that the agency's program authorization and appropriation request include long-term cost projections, and indicate a program funding level below which projections would not be required.

The Secretary of Agriculture should ensure that long-term cost projections are developed for major Farmers Home Administration programs and are incorporated in the request for authorization and appropriation, each cost projection includes analyses of costs for the requested authorization level and costs for an increase, information requirements of a cost projection system are identified and provisions are made for collecting and analyzing the required data, and program managers in the business and industrial development loan program review the rural lending experience of the Economic Development Administration to improve their estimates of loan viability and default losses.

The Farmers Home Administration's comments were generally favorable and included suggestions for improving the quality of the projections. They agreed that long-term cost projections could provide useful data to the Congress, the Office of Management and Budget, and to the agency itself.

8. Inventory of Federal Food, Nutrition, and Agriculture Programs. CED-79-125, 9/11/79

SUMMARY:

In cooperation with the U.S. Department of Agriculture (USDA) and the Office of Management and Budget, GAO developed a prototype food, agriculture, and nutrition program inventory (FANI). Four major factors prompted the development of this model inventory system: (1) the increasing uncertainty of world food demand, (2) the need for a central source to provide information on the numerous food, agriculture, and nutrition-related programs administered by Federal agencies, (3) growing public demand that government productivity be maintained or enhanced, and (4) increased attentiveness on the part of the Congress to its oversight duties. GAO created an index that defined 359 programs in 28 agencies according to sector of society, beneficiary, function, and scope. The FANI survey made use of a data collection instrument which contained the following 16 information elements: Program Title, Administering Body, Program ID Codes,

Statutory Authority, Financial Data, Authorization, Program Description, Program Descriptors, Codes, Congressional Committee Jurisdiction, Related Programs, Program Reports, Agency Contact, Date Form Completed, Staff Member Completing Form, and Source of Information.

The creation of walkways between FANI and other inventory systems, budget/control, and planning/forecasting systems in the public and private sector would enable analysts and managers to compare and relate measurements of success and composite program evaluations to current conditions and future forecasts. To insure the usefulness of FANI (or any inventory system) beyond its developmental stage users should develop and utilize indicators of success, select a set of indicators that reflect the conditions of the environment and society, and develop a method to draw together all program inventories and indicators of success. FANI can be used as a model to develop similar inventories for other issues such as health, transportation, land use, and communications, and thereby assist the Congress and other decisionmakers in oversight and program evaluation. To fully realize the usefulness of FANI and other information tools to decisionmakers, four questions need to be answered: (1) How best can FANI be refined and maintained on an ongoing basis within USDA? (2) How can the methods developed in this prototype best be coordinated with the activities regarding the Sunset legislation? (3) What is the best way to link FANI to a set of environmental, social, technical, and economic indicators? (4) How can FANI be coordinated with a futures-oriented system to assess single and cross-issue impacts?

UPDATE:

USDA completed the 1980 update of FANI in the summer of 1980. The updated prototype inventory contains information on 482 Federal programs in the food, agriculture and nutrition sector from 35 different agencies, departments, commissions, etc. USDA plans to perform the update on a yearly basis, keyed to the January release of the President's budget.

9. Preserving America's Farmland--A Goal the Federal Government Should Support. CED-79-109, 9/20/79

SUMMARY:

Farmland is essential to the Nation's abundant agricultural production which has not only fed U.S. citizens well, but has been a positive contributor to

the balance of payments and to humanitarian commitments to developing countries. In 1975 about 338 million acres of all rural land, including 221 million acres of cropland, were in the Department of Agriculture's (USDA) top two land capability classes. Land losses for urbanization and other nonfarming purposes, estimated at 3 to 5 million acres a year, coupled with the leveling off of agricultural productivity, pose serious questions about the Nation's ability to maintain its role as an economical food producer and exporter. Since the 1973-74 grain purchases by the Soviet Union which eliminated surpluses and sharply increased commodity prices, there has been a growing concern about the loss of farmland. Opinions vary, however, on how much farmland is being lost, its impact on the Nation's future, and what role the Federal Government should play to protect it. Emerging evidence suggests that technology may not continue to increase productivity at past levels and compensate for the loss of prime and other farmland.

Governmental control of land use traditionally rests with State and local governments, and over the years some have adopted or considered various approaches to curtail farmland conversions such as preferential tax assessments, zoning, variable capital grain taxes, and sales and transfers of development rights. The Federal Government's role in retaining farmland is still evolving. The Congress has recognized the importance of prime farmland but has not yet enacted a policy which is comprehensive. Some bills introduced in the Congress, but not enacted would have established a national farmland policy and described Federal responsibilities in advancing that policy, including Federal support for State and local farmland preservation efforts.

Replacement or expansion of land in the farmland base involves significant tradeoffs and limitations on water, energy, environment, and cost. The proportion of agricultural production dependent on energy-and cost-intensive irrigation systems is rapidly increasing. Preserving farmland has been given little consideration or low priority and has usually been out-weighted by other interests in Federal projects. Furthermore, Federal or federally assisted projects often result in the direct and/or indirect taking of prime and other farmland. One problem may be the conflict between the information regarding the importance of preserving prime farmland which is furnished to agencies, and USDA publications which cite large potential cropland reserves and production capabilities. State and local methods to preserve the land have had limited impact on its

loss, and none of the methods used are likely to insure that land will be kept in agricultural production. There is insufficient data and a lack of uniform criteria to help Federal agencies evaluate the impact of losing farmland and to balance this loss against other national interests, including food production and food prices. A widely publicized national policy identifying the national interest in and goals for protecting and retaining farmland could (1) guide and support land-use planning and decisions by the Federal, State, and local governments, (2) encourage intergovernmental coordination and cooperation in managing the land, and (3) promote public investment patterns that will minimize adverse impacts on farmland.

Recommendations: The Congress should (1) formulate a national policy on protecting and retaining farmland, (2) set a national goal as to the amount and class of farmland that should be preserved, (3) periodically assess the impact of farmland losses on the established goal, and (4) delineate the Federal Government's role in guiding and helping State and local efforts to retain farmland. If the Congress decides to provide Federal support to States and political subdivisions to carry out farmland preservation programs as proposed in bills now before the Congress, it should specifically set out the criteria which such programs have to meet. This criteria should provide, among other things, that agricultural areas be geographically defined and preferably correspond to areas that contain the most prime farmland and that agricultural use and prime farmland be clearly and specifically defined.

The Secretary of Agriculture should (1) develop additional data on, and make analyses of, the significance of losing prime and other farmland, (2) insure, through periodic reviews, that all USDA agencies evaluate the loss of prime and other farmland in their project approval process in consonance with the Secretary's October 1978 land-use policy statement, and (3) require that additional analyses be made of the USDA potential cropland estimates in terms of how much land is likely to be converted considering current land use, production tradeoffs, development problems and costs, and other economic values, such as changes in the relationship of production and development costs to commodity prices, and that the results be published. The Secretary of Agriculture and the Chairman of the Council on Environmental Quality should undertake a joint effort to develop criteria to guide Federal departments and agencies in determining and

evaluating the impact of their proposed projects and actions that affect prime and other farmland losses with other national interests. The Chairman of the Council on Environmental Quality should instruct Federal departments and agencies to include in their environmental impact statements and other environmental review documents a discussion of their analyses relating to the criteria recommended above.

UPDATE:

The report was extensively used during the Department of Agriculture's appropriations hearing and legislation for protection of farmland, consistent with GAO's recommendations, was introduced. However, the House met as the Committee of the Whole House on the State of the Union for consideration of the bill and came to no resolution.

A National Agricultural Lands Study, initiated by Agriculture and the Council on Environmental Quality in June 1979, is scheduled for completion in January 1981.

10. Food Price Inflation in the United States and Other Countries. CED-80-24, 12/18/79

SUMMARY:

The report responds to a request for information on food price inflation in the United States, how food prices compare to those of other consumer goods and services, how U.S. food prices compare with those of other countries, and what other countries have done to combat food price inflation. Since 1972, food prices have risen an average of 9 percent a year and have increased faster than the general inflation rate. However, Americans are spending less of their disposable income on food while other goods and services such as housing and transportation have absorbed increasingly more of the consumer's disposable income. Although food prices in the United States are higher than they used to be, they have been the lowest among many developed countries. Many European countries attempt to stabilize their food prices through agricultural policies that generally keep farm prices high. These countries compensate for differences between their higher domestic prices and lower world prices for agricultural goods by subsidizing their farmers or by levying taxes on cheaper imported goods.

In the United States, increases in the costs of processing, packaging, transporting, and selling food have contributed heavily to higher food prices. Even though food prices in the United States are lower and rising less rapidly than in many other countries, opportunities to improve productivity and stabilize food costs in both the marketing and farm sectors should be sought.

11. Maze of Food Regulations--Need for a Regulation Indexing System. CED-80-44, 2/4/80

SUMMARY:

Fourteen Federal agencies and commissions have issued 1,300 regulations for the transport of food, covering 9,752 sections of the Code of Federal Regulations. These regulations require some 30,000 separate actions to comply with the written law.

The difficulty of dealing with this web of regulations is compounded by the lack of an adequate index to determine which regulations apply in a particular situation.

To provide a means for locating applicable regulations, for analyzing regulatory overlap, and for better understanding the structure of Federal regulations, GAO recommends that the Regulatory Council, in conjunction with the General Services Administration's Office of the Federal Register, foster development of an indexing system. This system should permit easy identification of regulations pertaining to a specific subject, regulatory objective, and economic activity, and permit analysis of regulations to assess whether the sum of regulations in any specific area functions efficiently.

12. An Assessment of Parity As A Tool For Formulating and Evaluating Agricultural Policy. CED-81-11, 10/10/80

SUMMARY:

Policymakers regard parity, a measure of the purchasing power of farm commodities, as a barometer of the economic health of agriculture. Although it is a useful barometer, it does not reflect total farm sector well-being.

For many years, the trends in U.S. agriculture have been toward greater technological advances, declining margins, declining numbers of farms, and increasingly larger farms. Although the Nation has generally

benefited from these trends, recent studies have suggested that if the trends continue unabated, the secondary impacts may well be a loss of farm sector resiliency, a decline in rural viability, a cutback in efforts to conserve our fertile soil, and less competition. Parity by itself is not a good indicator of these impacts.

Recommendations: In addition to parity, the Congress and other policymakers need a broader framework to use in developing, analyzing, and evaluating farm policies and programs. GAO recommends that the Secretary of Agriculture develop a comprehensive and systematic framework for the use of policymakers in formulating and evaluating various policy options for U.S. agriculture.

ONGOING GAO JOBS PERTAINING TO THE
FOOD AND AGRICULTURE ACT OF 1977

1717 Adequacy of Nutrition Surveillance Systems:

097500 Adequacy of Federal Research Strategy
Planning

SUMMARY:

The objective of this assignment will be to assess the Federal nutrition research planning and coordination activities. What have USDA, HHS, and other Federal agencies done in planning a nutrition research strategy to assure that high priority research is conducted? What amount of resources have been allocated to nutrition research? What coordination and cooperation mechanisms exist within each Department and among the various Federal departments/agencies? What has been the role and activities of the White House Office of Science and Technology Policy in nutrition research planning and coordination? If appropriate, what suggestions or recommendations can be made to assure effective Federal nutrition research planning? Since the 1969 White House Conference on Food and Nutrition, many congressional and Administration actions have occurred, along with the public's interest in nutrition, to include nutrition in Federal agriculture, health, and science policies. Publication of the 1977 Dietary Goals of the Senate Select Committee on Nutrition and Human Needs was a major milestone in nutrition because it stimulated a controversial debate over the role of nutrition and brought a new nutrition awareness to the Congress, the Administration, and the public.

The Food and Agriculture Act of 1977 was another major milestone in nutrition because it provided a new Federal initiative and expansion in human nutrition research and extension. A major portion of the Act emphasizes the importance of research planning and coordination and identifying needs and establishing priorities. The Departments of Agriculture, Health and Human Services, and other Federal agencies have made some major strides in nutrition which have an impact on promoting and protecting the general health and welfare of the American people.

1719 Adequacy of Federal Efforts To Ensure Safety in Food Products:

022580 Survey of Inspection at Slaughter Plants

SUMMARY:

The objective is to determine if the Department of Agriculture's (USDA's) inspection program at slaughter plants is adequate to protect consumers, and if USDA is making the most efficient use of its inspection resources. The Federal Meat Inspection Act and the Poultry Products Inspection Act require the Secretary of Agriculture to inspect the slaughter of livestock and poultry to insure that meat and poultry products distributed to consumers are wholesome; not adulterated; and properly marked, labeled, and packaged.

Federal costs for meat and poultry inspection have almost doubled in the last 10 years. In 1970 USDA spent \$135 million. In 1979 the costs had risen to \$255 million. Presently, Federal inspection is provided at 627 meat and poultry slaughter only plants and at 1,573 meat and poultry slaughter and processing combination plants.

It has been almost 10 years since GAO reviewed Federal inspection at meat and poultry slaughter plants. At that time major deficiencies were found. Although expectations are that some improvements have been made, indications are that many sanitary and safety problems still exist. Two major areas to be addressed are:

- Do Federal inspectors adequately enforce Federal sanitation standards? Inspectors have always been under tremendous pressure to relax sanitation standards whenever enforcement of such standards interfered with the kill rate. This pressure has most likely increased substantially over the last 9 months because of the huge rise in meat prices.
- What opportunities are available to Agriculture to reduce inspection costs at slaughter plants without reducing consumer protection?

Other areas to be addressed include:

- Are USDA's acceptable quality level programs adequate to assure that slaughter plants produce wholesome and unadulterated products?

--What improvements have been made and are planned in USDA's program for monitoring chemical and drug residues in meat and poultry carcasses?

--Should the Congress consider making the meat and poultry industry, rather than the taxpayer, bear the cost of the inspection program?

1722 How Can the Operational Efficiency and Effectiveness of the Food Stamp Program Be Improved?

023060 Review of the Dine-Out Feature of the Food Stamp Program

SUMMARY:

The "Dine Out Program" allows elderly food stamp recipients to use food stamps in restaurants approved by the States. The principal concerns expressed by the Members of the House Appropriations Committee who requested this review and shared by several Members of the House Committee on Agriculture are the future budgetary effects of this feature and the adverse financial impact on the elderly electing to use food stamps to purchase meals in restaurants. Food stamp benefits are pegged to the cost of acquiring staple food in retail stores and preparing it at home. Since restaurant-prepared food costs more, the elderly who elect to purchase meals in restaurants will likely be using disproportionately more food stamps for these meals than for those prepared at home. As a result, these citizens may have less money and/or stamps for food at the end of the month. Committee Members have also questioned whether social considerations intended to be furthered under this program could be better met through the Department of Health and Human Services' community dining programs.

Twelve States are participating in this program. Being permissive in nature, the program requires participating States to contract with private establishments wishing to offer the elderly food at "concessional" prices. Contracts must specify approximate prices to be charged. According to available information, the most active States in this program are Florida, Hawaii, Iowa, and Pennsylvania:

Objectives of the review will be to (1) examine the cost factors in the Dine-Out Program to determine whether this is a cost-effective way to use food stamps, (2) determine whether Federal programs such as those authorized by the Older Americans Act can better satisfy

social needs of the elderly, (3) find out whether the elderly using food stamps in restaurants encounter transportation difficulties and other problems in doing so and are financially strained towards the end of the month because of the relatively higher cost of restaurant food, and (4) develop or obtain estimates of projected growth in the use of food stamps in restaurants.

023070 Assessment of the Department of Agriculture's
Food Stamp Workfare Pilot Projects

SUMMARY:

The Food Stamp Act of 1977 authorized the Secretaries of Agriculture and Labor to implement 14 workfare demonstration pilot projects, involving the performance of work in return for food stamp benefits, throughout the United States. Participation in the pilot test is voluntary and each project site is to operate for 12 months. An evaluation of the projects by a private contractor is due approximately 6 months after the conclusion of the test.

The objective of this job is to determine if the workfare concept is being given a fair demonstration test, if appropriate information is being accumulated for evaluating final program results, and if the workfare concept has potential for nationwide application to the food stamp and other programs.

1724 What Alternative Mechanisms Are Available To Provide Food to Low-Income Target Population?

022530 Study of Market Impacts from USDA Commodity Purchase/Donation Programs

SUMMARY:

In fiscal year 1980 USDA will spend about \$1.5 billion to purchase food commodities on the open market and donate the commodities to various feeding programs at the State and local levels. In September 1979 the Senate Appropriations Committee requested GAO to review the commodity purchase and donation program. The following major issues were identified:

- Excess inventories of commodities at State and local levels
- Questionable need for Government involvement in arranging rail and truck transportation

- Federal storage of commodities for the elderly and needy family programs
- Questionable reprocessing contracts by both Agriculture and States
- Questionable impact of State preference data on commodity purchases
- Market impact from commodity purchases
- Purchases appear inconsistent with intent of funding source
- Late delivery of commodities

On February 29, 1980, GAO briefed the staff of the Appropriations Committee on the results of the survey efforts. It also provided the staff with a series of questions to be used during appropriation hearings. The staff agreed that the potential findings were significant and that GAO should fully develop them in a report to the Committee. GAO also agreed to expand the geographic scope of the review and to include some work in each of the food assistance programs i.e., school lunch, child nutrition, elderly, supplemental, breakfast, charitable institutions, summer camps, and needy families.

1725 What Federal Actions Are Needed in the Food Processing and Distribution Sectors?

097370 Review of Grain Marketing Patterns

SUMMARY:

At the request of the Subcommittee of Limitations of Contracted and Delegated Authority, GAO will explore several issues relating to grain marketing, storage, and transportation. The three major topics to be addressed are as follows.

1. The changing pattern of grain marketing. GAO will examine how the grain marketing pattern has changed in the past decade; the reasons it has changed; the effect on farmers, country elevator operators, and others in the grain marketing system; the Government programs currently available to assist these groups in competing within the emerging pattern and their effectiveness; and the options available to the Government to further assist these groups in competing within the emerging pattern.
2. The impact of being unable to secure transportation on farmers and country elevator operators.

GAO will examine the economic impact of not being able to secure transportation when and where it is needed; whether there is reasonable economic justification for this situation; the extent and effectiveness of Federal efforts to provide these groups with reasonable access to transportation; and the implications and effect on government programs to assist the farmer.

3. The ability of the grain transportation system to meet future demand. GAO will examine the three main modes of grain transportation--rail, barge, and truck; the validity of claims that the grain transportation system is approaching its physical capacity; the grain transportation experience of the U.S.' three major grain competitors--Canada, Australia and Argentina--and the implications for future U.S. competitiveness in the world grain trade; and the implications of grain transportation availability for U.S. grain marketing.

1726 Effects of Scarcity of Farm Input Resources

024370 Study of the Cooperative Extension Service

SUMMARY:

The Smith-Lever Act of 1914 provided for the establishment of a cooperative agricultural extension service in each State's land-grant institutions. The primary function of the nationwide system of cooperative extension work is out-of-school applied education in agriculture, home economics, community development, 4-H Youth programs, and related subjects. Annually, the Congress appropriates funds under the Smith-Lever Act and the Science and Education Administration, U.S. Department of Agriculture, allocates them to each of the land-grant institutions for conducting the programs. Federal funds are matched by State funds. In 1981 the Federal share of funding is about \$298 million.

GAO's objective is to evaluate the economy, efficiency and program effectiveness of the Cooperative Extension Service program. Issues to be addressed include:

--Are program funds being properly managed?

--Given the changing nature of the U.S. population, should the thrust of the program be changed or should parts of it be eliminated?

--What is the proper Federal role in this program?

097380 Review of Efforts To Assure the Genetic Diversity of Seed Stocks

SUMMARY:

The entire food and fiber supply of the United States depends on plant germplasm. Germplasm is the "gene carrier" of the plant and determines such characteristics of the plant as those that control disease resistance and yield. Genetic uniformity could lead to a particular crop becoming vulnerable to disease or other disaster such as the southern corn leaf blight which destroyed 15 percent of the U.S. corn crop in 1970.

Although the Department of Agriculture collects and stores seed stock and supports germplasm research, these efforts may not be sufficient to assure adequate diversity of U.S. seed stocks. GAO is reviewing the management and direction of Agriculture's efforts in this field.

097460 Survey of USDA's Germplasm Maintenance and Evaluation

SUMMARY:

An ongoing review of efforts to ensure the genetic diversity of seed stocks (097380) has identified four critical problems: (1) a lack of management direction created by a decentralized management system having no focal point for decisionmaking, (2) inconsistent evaluation of seed stock characteristics, (3) poor maintenance of germplasm, and (4) restricted flow of critical information among the 100 or more curators making up the national plant germplasm system.

The management system will be discussed in a separate report. The objective of this survey will be to more fully develop the other three issues of evaluation, maintenance, and information.

1728 Adaptability of the Food Production System To Maintain Productivity Under Changing Conditions

097470 Survey of USDA Agricultural Research Efforts

Agricultural research and development programs within USDA total from \$400,000,000 to \$1,000,000,000 yearly depending on how broad the individual interpretation of research is. Agricultural R&D in the United States is conducted primarily by or through USDA scientists, USDA competitive grants, cooperative agreements with State universities, and State extension services (supported largely by Federal funds). This system has been responsible for dramatically improving the productivity of agriculture both on this Nation and worldwide.

Many researchers believe that over the past 10 years or so, high levels of production have been mistaken for productivity and that USDA research efforts have leveled off or even declined. This has been attributed to a relative reduction in resources, fractionated direction, and a lack of strategic planning. As the United States will likely face increasing pressures for food production with increased restraints caused by land planning and input scarcity, effective research will become more important. The objective of the survey will be to update prior GAO work on the structure of USDA research organizations and to develop criteria for measuring the effectiveness and direction of U.S. agricultural research.

1729 Effectiveness and Adequacy of Farm Programs Directed Toward Maintaining Farm Income

022500 Review the Grain Reserve Program's Effectiveness

SUMMARY:

GAO's objective is to determine how effective the grain reserve program is in achieving its objectives and the potential problems which may develop with the continued buildup of reserve balances. The Food and Agriculture Act of 1977 authorized the Secretary of Agriculture to establish a grain reserve program under which wheat and feed grains would be stored not less than 3 years nor more than 5 years. The purpose of the reserve program is to store wheat and feed grains when such commodities are in abundant supply and extend the time period for orderly marketing.

Some of the areas being addressed are:

- Is the program effective as a tool to extend the marketing period of surplus commodities thereby allowing the producer to get a better price for a commodity or is it merely providing a temporary outlet for surplus commodities?
- Does Agriculture have adequate plans for handling the grain which will have been in the reserve for 3 years?
- What are the major problems concerning the storage of commodities over an extended period of time?
- Are the storage rates reasonable in relation to the cost of storing the commodity?
- Is there a need to cut back more on production to keep the reserve levels reasonable?

1730 Effectiveness of Federal Efforts To Promote International Food and Agriculture Development Assistance

471900 Review of Title III, P.L. 480, Food for Development

SUMMARY:

Title III, Public Law 480 as revised in 1977 establishes the new food for development program. Its objective is to establish a closer relationship between U.S. concessional food sales under Title I and the efforts of developing countries to increase the availability of food for the poor and improve their quality of life. The provisions of Title II encourage countries to use funds accumulated from the local sale of Public Law 480 Title I commodities for programs of agricultural development, rural development, nutrition, health services, and population planning. The United States, in turn, forgives repayment obligations for commodities provided under Title I equivalent to the amount of funds expended for such mutually acceptable development purposes. Title III provides for multiyear agreements which allow recipient governments to anticipate Title I commodity levels over an extended period.

As of April 1980 Title III agreements had been signed with five countries--Bangladesh, Bolivia, Egypt,

Honduras, and Sudan. In the past, negotiations with Haiti, Indonesia and Pakistan had, for various reasons, failed to result in agreement.

Questions have been raised as to why the program has been implemented so slowly.

1731 How Effective Are Federal Efforts To Maintain Strong U.S. Agricultural Commercial Export Sales?

022600 Review of USDA Actions To Mitigate Impacts of the Grain Embargo

SUMMARY:

On January 4, 1980, the President suspended all grain shipments to the Soviet Union in excess of the 8 million tons per year which the United States is committed to sell under the USA-USSR 5-year grain sale agreement. The Commodity Credit Corporation assumed contractual obligations for about 9 million metric tons of corn, 4 million metric tons of wheat, and 710,000 metric tons of soybeans committed for shipment by U.S. grain exporters to the Soviet Union. The Department of Agriculture stated that this action was necessary to prevent the exporters from dumping the grain on the market causing depressed farm prices. The Department is also taking actions--such as increasing commodity loan rates and farmer-owned reserve release and call price levels and attempting to increase commodity prices by buying corn and wheat at interior elevators and from farmers--to guarantee that the burden of the grain sales suspension does not fall unfairly on the farmer.

Six Members of the House Committee on Agriculture asked GAO to review and report on the (1) circumstances surrounding the Commodity Credit Corporation's assumption and subsequent retender of \$2.5 billion of grain exporters' contracts with Russia, (2) effectiveness of USDA's monitoring program to ensure that U.S. grain is not shipped to Russia, and (3) propriety of the open market purchases of wheat and corn being made by the Corporation.

483150 Study Of Adequacy Of Competition In P.L. 480
Commodity Procurements/Shipments

SUMMARY:

By the letter dated July 26, 1979, the Chairman of a Senate subcommittee requested, among others, GAO's confidential review of the procurement and shipment of agricultural commodities under the P.L. 480 Food for Peace Program. The letter expressed the subcommittee's concern that a few multinational grain firms in essence have an unfair competitive advantage in bidding for P.L. 480 contracts because of their ownership or control over the commodities, storage facilities, and farm-to-port carriers both here and abroad. The Chairman further requested GAO's recommendations on changing the P.L. 480 legislation to allow greater access by formed cooperatives and smaller grain dealers and to foster broader competition in general.

2307 How Effective Are Federal Programs Designed To Promote the Development, Rehabilitation, Conservation, and Preservation of Nonpublic Lands and Related Resources?

021880 Assessment of the Resource Conservation and Development (RC&D) Program

SUMMARY:

In its 1980 budget request, the Department of Agriculture (USDA) proposed to phase out the RC&D Program administered by its Soil Conservation Service (SCS) and asked for about \$3 million to close out already approved projects. The appropriations committees rejected the proposal and, instead, approved \$32 million for the RC&D program. The Conference Report on the appropriations bill (No. 96-533, 10/24/79) called for a complete GAO review of the program.

The objective of this job is to review various aspects of the administration and operation of the RC&D program and evaluate the need for a separate program of this kind. The following issues will be covered:

--USDA, as well as other Federal agencies, such as Commerce's Economic Development Administration (EDA), already have field organizations that may be able to act as focal points for local resource planning. Also, the States have

regional districts that may be able to assume a coordinating role.

- RC&D projects once authorized, continue indefinitely. This "open-ended" policy may result in continued Federal funding of ineffective projects.
- Agriculture's evaluation practices appear to be inadequate. Early information indicates that unsuccessful projects are not terminated or redirected on a timely basis.
- Project objectives have gravitated away from natural resources to include human resources and industrial development. While these objectives relate to economic development, they are removed from the SCS sphere of expertise.
- Early information indicates that the key characteristics of successful RC&D projects is the existence of substantial local support. Some projects apparently attempt to continue to function without this support and, as a result, their effectiveness is questionable.
- The number of authorized projects have increased from 10 to 178 without a relative increase in funding. Thus, the available funds may be spread too thin for effective operations.
- There are indications that project applications do not receive adequate review by USDA. As a result, poorly planned RC&D projects have been authorized.
- RC&D coordinators are considered an essential component in the success of an RC&D operation; however, coordinators have not been fully effective due to inadequate experience and training.

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