

United States General Accounting Office

GAO

Report to the Honorable
Charlie Rose
House of Representatives

December 1993

AGRICULTURAL MARKETING

Federally Authorized Commodity Research and Promotion Programs



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Resources, Community, and
Economic Development Division

B-255499

December 29, 1993

The Honorable Charlie Rose
Chairman, Subcommittee on Specialty
Crops and Natural Resources
Committee on Agriculture
House of Representatives

Dear Mr. Chairman:

Producers and handlers of agricultural products paid millions of dollars for federally authorized research and promotion programs in 1992.¹ The Congress authorized these programs, commonly known as check-off programs, at the request of the agriculture industry. The term check-off refers to the way the research and promotion programs are funded: A small portion is deducted from producers' checks for each unit of a commodity the producers sell. The programs are funded principally by this assessment on sales. The programs are operated by check-off boards, such as the National Dairy Promotion and Research Board or the American Egg Board, whose members the Secretary of Agriculture appoints from nominations submitted by industry. The U.S. Department of Agriculture's (USDA) Agricultural Marketing Service (AMS) has primary oversight responsibility for ensuring that these programs comply with their authorizing legislation.

In response to your request, this report presents information on (1) the amount and use of check-off funds, (2) the nature and extent of AMS' oversight, and (3) coordination by AMS of its oversight responsibilities with other USDA agencies. As agreed with your office, we will analyze check-off boards' operations—including decisions on expenditures for promotion and research, and evaluation efforts—and present the results in a later report.

Results in Brief

Of the 18 check-off boards that have been authorized, 11 were active and had completed at least 1 full year of operations as of 1992. The 11 check-off boards we reviewed collected about \$250 million in assessments from producers and handlers of agricultural products during 1992.² These

¹Producers and handlers can also include growers, grower-shellors, grower-handlers, and importers, depending on the legislation authorizing the program.

²This \$250 million is the amount of assessments received by the national check-off boards. This does not include the assessments collected under the national program that go directly to the state and regional programs.

funds were spent largely on promoting commodities, principally in the domestic market. The boards also sponsor research, conduct consumer and producer information programs, and fund general and administrative expenses. (See app. I.)

AMS has primary oversight responsibility for ensuring that the check-off programs comply with their authorizing legislation. Except for the dairy program, which requires the Secretary of Agriculture to annually analyze its effectiveness, AMS is not responsible for evaluating program effectiveness; that responsibility is left to the individual boards. To ensure that the check-off programs are in compliance, AMS reviews check-off boards' budgets, projects, and contracts to prevent the boards from engaging in prohibited activities, such as lobbying. The check-off boards reimburse AMS for its oversight services in accordance with the amount of oversight involved. In addition, as of 1993, USDA will charge the boards for any legal services it provides. Until 1993, these services were funded by USDA.

AMS coordinates its oversight of the check-off programs in varying degrees with USDA's Foreign Agricultural Service (FAS), Economic Research Service (ERS), Agricultural Stabilization and Conservation Service, Extension Service, Farmers Home Administration, Rural Development Administration, Food Safety and Inspection Service, and Packers and Stockyard Administration. Coordination ranges from FAS' full review and approval authority of check-off boards' foreign promotion activities to the Agricultural Stabilization and Conservation Service's assistance in conducting referenda within an industry.³

Background

Generic promotional and research programs funded through voluntary check-off contributions have been in effect at the local, state, and regional levels for over 50 years. These programs are designed to expand the market for a given agricultural commodity, such as dairy products, eggs, and beef. In an effort to facilitate better coordination across states, encourage equitable participation from all producers of the commodity, and tap a national resource of producers rather than a relatively small local group, commodity industry groups began to seek federal legislative authority to establish national programs.

³Check-off programs must obtain approval for their operations from those who pay assessments. A vote, or referendum, is held to gain approval for initiating, amending, or continuing a check-off program.

The first federally authorized program was enacted in 1954, but the majority were created during the 1980s and 1990s. Their development proceeds as follows. First, industry groups identify the need for a program. Then, before proposing legislation, each industry's participants negotiate among themselves to agree on the basic framework of the program, including the level of assessments and the various program activities, such as promotion, advertising, research, and providing information to consumers and industry. In addition, each industry proposes legislation for the structure of the board that will carry out these activities. Because each industry has unique characteristics, a different board structure is appropriate for each check-off program. The boards vary in size, geographic representation, and type of individual represented—that is, producers, processors, handlers, importers, and public representatives.

Once the legislation is enacted, USDA, in consultation with the industry, develops regulations to implement it. These regulations define how the program will be operated, how the assessments will be collected, and how compliance with the authorizing legislation will be maintained. The check-off programs must obtain approval for their operations by all affected groups—that is, those who will pay assessments. To gain approval from the affected groups, a referendum must be held either before the operations begin or up to 3 years after start-up, depending on the authorizing legislation.

Under the check-off programs, producers and handlers, and in some programs importers, are assessed a small amount of their sales revenue for each unit of the commodity they sell. For example, for each bale of cotton a farmer sells, that farmer is assessed \$1 per bale, plus 0.5 of 1 percent of the bale's value. These funds go to the Cotton Board. However, in some programs, such as the dairy program, the assessment may be divided among national, state, and regional boards. Except for the wool and mohair programs, no USDA funds are used for program operations. The 1954 legislation that created the wool and mohair programs—the first two check-off programs enacted—does not authorize USDA to be reimbursed for its oversight costs. For the remaining programs, AMS receives reimbursements from the check-off boards to cover its oversight costs.

In the past, many check-off programs included refund provisions, allowing the producers and handlers that were paying assessments to check-off boards to request refunds of their assessments. In the past few years, most of these refund provisions have been removed. Two exceptions are the

watermelon program, which offers refunds, and the soybean program, which allows refunds prior to the initial referendum.⁴

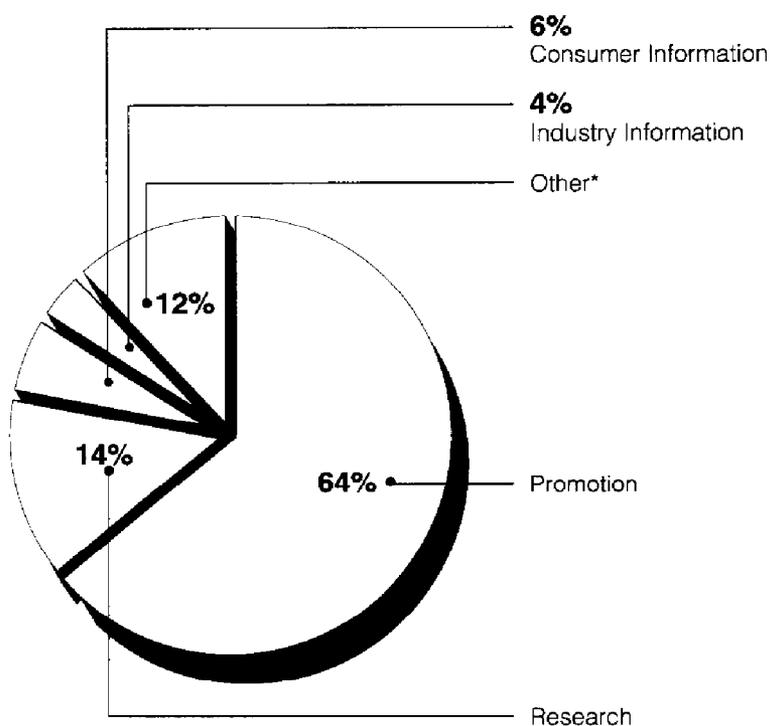
Funds Are Spent on Promotion, Research, and Information

Out of the 18 check-off boards that have been authorized, 11 boards were active and had completed at least 1 full year of operations as of 1992. We reviewed the activities of these 11 boards. During 1992, the total assessments received by these boards were about \$250 million.⁵ Individual assessments during 1992 ranged from \$697,000 for the watermelon program to \$75.6 million for the dairy program. As shown in figure 1, the check-off boards spent most of their funds in the following four program areas: promotion, research, consumer information, and industry information.

⁴A December 1993 amendment to the watermelon program legislation—if approved through referendum in 1994—will require importers to pay assessments and will eliminate refunds of assessments except for importers of less than 150,000 pounds of watermelon per year.

⁵As noted above, this amount does not include the assessments collected under the national program that go directly to state and regional programs.

Figure 1: Average Uses of Funds for Federally Authorized Commodity Research and Promotion Boards



Note: Other includes payments for general, administrative, and miscellaneous costs (7%); payments for state and regional programs (4%); and payments to USDA for oversight and for evaluation of the dairy program (less than 1%).

The programs spent an average of 64 percent of their funds on promotion. (See app. II.) According to AMS officials, most of these funds were for domestic promotions. In 1992, promotion costs varied, ranging from about \$163,000 for watermelons to \$60.4 million for dairy products. Promotion efforts included such campaigns as the American Egg Board's "The Incredible, Edible Egg" and the National Pork Board's "Pork—The Other White Meat."

Spending on research consumed an average of 14 percent of the total expenditures. The research activities included product development, nutrition research, and marketing research. Spending for industry and consumer information activities accounted for an average of 4 percent and

6 percent, respectively, of total expenditures. Industry information involves activities to improve product development, such as the Cotton Board's efforts to improve mill production by increasing yarn production speed while enhancing product quality. Consumer information includes such efforts as the National Potato Promotion Board's distribution of Science Weekly lessons on the nutritional value of potatoes to 3.5 million elementary and secondary school students.

Program expenditures for general, administrative, and miscellaneous costs varied significantly between programs, from 3 percent to 47 percent of total expenditures, but averaged about 7 percent of expenses.

USDA Oversees Programs to Ensure Compliance With Legislation

Legislation and agency orders or plans governing check-off programs generally have provisions specifying allowable activities, such as the types of promotional and research activities; the level and collection of assessments; the composition of the board; and the types of allowable expenditures including, in some cases, the investment of funds in federally backed securities. All legislation prohibits boards from using assessment funds for lobbying activities.

AMS is responsible for ensuring that the check-off programs comply with their authorizing legislation. In accordance with AMS guidelines, AMS commodity divisions—such as the Livestock and Seed Division—routinely review the boards' budgets, financial statements, plans, projects, and contracts to ensure that they are consistent with the authorizing legislation. In addition, AMS commodity division officials attend check-off board meetings to advise board officials on how consistent their planned activities will be with the authorizing legislation. However, these divisions are not required by law to, nor do they, review the effectiveness of the programs. For the dairy program, the Secretary of Agriculture is required by law to submit to the Congress an annual report describing dairy board activities and including an independent analysis of the effectiveness of the dairy program. The check-off boards vary in the extent to which they evaluate their programs and provide information to producers about their activities.

AMS is also responsible for establishing nominating procedures for the boards. Each check-off law specifies the composition of that check-off board and the procedures for selecting the board members. USDA policy states that membership on these boards should reflect, to the extent practicable, the diversity of individuals served by the program.

In addition, in response to a request by a commodity division, AMS' Compliance Office will examine specified issues in a check-off program, but it does not conduct comprehensive reviews. USDA's Office of Inspector General (OIG) has also conducted some reviews of check-off program activities. In planning reviews, the OIG generally considers check-off programs a lower priority than other USDA programs, because very few federal funds are involved in check-off programs. Since 1988, the OIG has reviewed the activities of the five largest boards: dairy, cotton, beef, pork, and soybeans. These reviews focused on, among other things, assessment collection, administrative expenses, contract costs, investment of funds, and internal controls. In a September 1993 audit that focused on administrative expenses and contract costs, the OIG found that the controls and accountability in respect to two boards' expenditures for administrative expenses were inadequate and that the monitoring to ensure contractor compliance was insufficient. AMS agreed with most of the recommendations made in the report.

AMS officials told us that, generally, AMS reports the OIG's findings to the boards and relies on the boards to correct any problems identified. However, in some cases, the relevant AMS commodity division works with the board to ensure that the problems are corrected. For example, AMS has agreed to assist a board in developing stronger controls over employee travel expenses and also to strengthen the monitoring of these controls to ensure that all travel related expenses are justifiable and reasonable.

The check-off boards reimburse AMS for its oversight services. In general, reimbursement expenses consume a small portion of a board's assessments, ranging from 0.3 percent to 13.4 percent. The amount that AMS charges depends on the amount of oversight involved. Some oversight activity is standard for all boards, regardless of their size. For larger programs, the reimbursement charge is a relatively smaller proportion of the assessments that the board collects. For smaller programs, or programs that are just beginning and therefore may require more oversight, the reimbursement fee charged is a relatively larger share of assessments. For example, the National Watermelon Promotion Board, which began operations in 1990 and had net assessments in fiscal year 1992 of \$697,159, paid AMS \$93,136 (13.4 percent of net assessments) for its oversight services for that year. In contrast, the Cotton Board, which began operations in 1966-67 and had net assessments of \$47,500,386 in 1992, paid AMS \$140,926 (0.3 percent of net assessments) for its oversight services that year. (See app. III.) In addition, as of 1993, USDA will charge

the boards for any legal services it provides. Until 1993, these services were funded by USDA.

AMS Coordinates Oversight With Other USDA Agencies

Coordination between AMS and related USDA agencies is important to ensure that the efforts complement each other, to avoid duplication, and to achieve efficiencies by sharing information and resources. According to AMS officials, AMS coordinates its oversight responsibilities with a number of USDA agencies—the Foreign Agricultural Service (FAS), Economic Research Service (ERS), Agricultural Stabilization and Conservation Service, Extension Service, Farmers Home Administration, Rural Development Administration, Food Safety and Inspection Service, and Packers and Stockyard Administration.⁶ Most coordination occurs with FAS, which was established in part to help industry promote U.S. agriculture products in foreign countries.

More specific information about the coordination of oversight includes the following:

- Nine of the 11 check-off programs have used check-off funds to promote their products in foreign markets. For some of these programs, FAS reviews and approves the foreign market promotion plans. For other programs that carry out foreign promotion, AMS simply provides FAS with an information copy of the plan.
- ERS has some evaluation responsibility for the dairy check-off program—the only program in which the Secretary of Agriculture is required to report annually to the Congress. ERS prepares an independent analysis of the effectiveness of the dairy program, examining the economic benefit to the industry of funds spent for different promotional activities. ERS' findings are included in the program's annual mandated report.
- The Agricultural Stabilization and Conservation Service and the Extension Service help AMS conduct referenda for some of the check-off programs because their regional location provides producers with easy access to their offices.
- The Agricultural Stabilization and Conservation Service, Farmers Home Administration, and Rural Development Administration provide background information to AMS on prospective board members for use during the appointments of all the check-off boards. In addition, the Food Safety and Inspection Service and Packers and Stockyard Administration provide background information to AMS on prospective members of the

⁶In addition, AMS coordinates with the U.S. Customs Service for those check-off programs that assess imported commodities, such as cotton, to collect the import assessments.

beef and pork boards. AMS uses this information to determine if there are outstanding violations that would prevent the appointment.

We identified at least one other USDA agency, the Agricultural Research Service (ARS), that has major research responsibilities. One AMS division official said that an ARS representative serves as an adviser to one of the check-off boards. However, the other AMS officials told us that they do not routinely coordinate with ARS. Given that check-off programs include both promotional and research activities, we plan to study the need for greater coordination, both for AMS and for the individual boards, in our future work.

Agency Comments

We discussed the information in this report with AMS officials, including the Deputy Director of the Cotton Division, the Deputy Director of the Dairy Division, the Acting Deputy Director of the Fruit and Vegetable Division, the Marketing Programs Branch Chief and the Program Review and Evaluation Staff Chief of the Livestock and Seed Division, the Director of the Poultry Division, and a program analyst from the Compliance Office. These officials generally agreed with the information discussed and added that the review effectively pulled together diverse program information. They provided some clarifying comments that we have incorporated into the report where appropriate. As requested, we did not obtain written agency comments on a draft of this report.

Scope and Methodology

Eighteen national check-off programs have been authorized; we examined the 11 that were active and had completed at least 1 full year of operations at the time of our review. Three other programs began operations in September 1992, June 1993, and December 1993; the remaining four are inactive.

To understand how each national check-off program operated, we reviewed the relevant authorizing legislation; implementing orders, plans, and regulations; and USDA guidelines.

We met and discussed program operations with USDA officials, including representatives from AMS, FAS, ERS, the Office of the General Counsel, and the OIG, to understand how the boards functioned and how AMS satisfied its check-off program responsibilities. In addition, we met with a private law firm involved with check-off programs to obtain an understanding of the history of check-off authorizing legislation.

We also reviewed material from AMS' Functional Committee on Research and Promotion; OIG reports; and check-off board annual reports, budgets, plans, and program descriptions; and independent auditor and board evaluation reports of board promotion programs for an understanding of program size, complexity, and routine activities.

Furthermore, we reviewed files and examined correspondence between AMS and the boards, and prepared program data in table format for analysis.

We conducted our work from April 1993 through September 1993.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 14 days after the date of this letter. At that time, we will send copies to the Secretary of Agriculture and other interested parties. We will make copies available to others on request.

Please contact me on (202) 512-5138 if you or your staff have any questions about this report. Major contributors to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "John W. Harman".

John W. Harman
Director, Food and
Agriculture Issues

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Figure 1: Average Uses of Funds for Federally Authorized
Commodity Research and Promotion Boards

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Abbreviations

AMS	Agricultural Marketing Service
ARS	Agricultural Research Service
ERS	Economic Research Service
FAS	Foreign Agricultural Service
GAO	General Accounting Office
OIG	USDA Office of Inspector General
USDA	U.S. Department of Agriculture

Federally Authorized Commodity Research and Promotion Programs

Commodity/ year started	Name of board/council	Composition of board/council
Beef 1986	Cattlemen's Beef Promotion and Research Board	Authorized: Producers and importers based on cattle numbers per state or unit; As of 10/28/93: 105 producers and 6 importers
Cotton 1966-67	Cotton Board	Authorized: At least one representative from each cotton-producing state and importers, and up to 15 percent to be consumer advisors; As of 10/28/93: 20 producers, 4 importers and 1 consumer advisor
Dairy 1984	National Dairy Promotion and Research Board	Authorized: 36 milk producers; As of 10/28/93: 35 producers and 1 vacancy
Eggs 1976	American Egg Board	Authorized: Up to 20 members, consisting of egg producers and consumer or public representatives; As of 10/28/93: 18 producers
Flowers and Plants Inactive ^e	Floraboard ^b	Authorized: Up to 75 producers and importers
Fluid Milk 1993 ^c	National Processors Advertising and Promotion Board	Authorized: One representative from each of 12-15 geographic regions and five at-large members, including at least 1 public representative
Fresh Cut Flowers and Fresh Cut Greens Inactive ^e	PromoFlor Council	Authorized: 14 handlers, 3 producer-handlers, 3 importer-handlers, 3 retailers, 2 producers, 1 each east and west of Mississippi River and alternates
Honey 1987	Honey Board	Authorized: 7 producers, 2 handlers, 2 importers or 1 importer and 1 exporter, 1 public member, and 1 marketing cooperative official and alternates; As of 10/28/93: same as authorized with 2 importers and no exporters
Limes Inactive ^h	Lime Board	Authorized: 2 producers and 1 importer from east of the Mississippi River, 1 producer and 2 importers from west, and 1 public member and alternates

**Appendix I
Federally Authorized Commodity Research
and Promotion Programs**

Authorized/current assessment rate	Coverage	Refund of assessment	Initial referendum/last referendum	USDA costs reimbursed
Authorized: \$1 per head of cattle sold; As of 10/28/93: same as authorized	All cattle producers, and importers of cattle and beef	No	Initial referendum: delayed until 22 months after program started; Last referendum: May 1988 approved by 79 percent ^a	Referenda and administrative services
Authorized: \$1 per bale of cotton plus up to 1 percent of bale value on sales of cotton; As of 10/28/93: \$1 per bale plus 0.5 percent of bale value	Producers and importers	No	Initial referendum: prior to program start; Last referendum: July 1991 approved by 60 percent of those voting ^a	Up to \$300,000 for referenda; up to 5 staff years for administrative services
Authorized: 15 cents per hundredweight of milk sold; As of 10/28/93: same as authorized	Dairy farmers	No	Initial referendum: delayed until 18 months after program start; Last referendum: August 1993 approved by 71 percent of those voting ^a	Referenda (except federal salaries) and administrative services
Authorized: Up to 20 cents per 30-dozen case of eggs sold; As of 10/28/93: 5 cents	Producers with more than 75,000 laying hens	No	Initial referendum: prior to program start; Last referendum: August 1990 approved by 84 percent of those voting ^a	Referenda and administrative services
Authorized: 0.5 percent of value of flowers and plants sold in first 2 years; annual increases of 0.25 percent to maximum of 1.5 percent	Producers and importers with sales over \$100,000 per year	Yes	Initial referendum: program was rejected in 1983-84 prior to program start ^a	Referenda and administrative services
Authorized: 20 cents per 100 pounds of all fluid milk products marketed	Processors who market more than 500,000 pounds of fluid milk products in consumer-type packages per month	No	Initial and last referendum: October 1993 prior to program start approved by 72 percent of processors voting representing 77 percent of fluid milk marketed ^d	Referenda and administrative services
Authorized: 0.5 percent of value of sales during the first 3 years; annual increases or decreases of 0.25 percent with maximum of 1 percent	Handlers with sales of \$750,000 or more per year	Only prior to initial referendum if referendum is not approved	Initial referendum to be held within 3 years after program begins ^f	Referenda and administrative services
Authorized: 1 cent per pound of honey sold; As of 10/28/93: same as authorized	Producers and importers	No	Initial referendum: prior to program start; Last referendum: August 1991 approved by 90 percent of those voting ^g	Referenda and administrative services
Authorized: 1 cent per pound of limes sold	Producers, producer-handlers, and importers of more than 200,000 pounds yearly	Only prior to initial referendum	Initial referendum: to be held within 30 months after the collection of assessments ^d	Referenda (except federal salaries) and administrative services

(continued)

**Appendix I
Federally Authorized Commodity Research
and Promotion Programs**

Commodity/ year started	Name of board/council	Composition of board/council
Mohair ¹ 1966	Mohair Council of America	Not specified in statute. As of 10/28/93: the Council's Board of Directors consists of 50 to 60 members selected by producers
Mushrooms 1993 ²	Mushroom Council	Authorized: 4 to 9 producers and importers based on production and import volumes; As of 10/28/93: 9 producers
Pecans 1992 ¹	Pecan Marketing Board	Authorized: 8 growers, 4 shellers, 1 handler, 1 importer, 1 public member, and 1 nonvoting member and alternates; As of 10/28/93: 8 growers, 4 shellers, and 1 handler
Pork 1986	National Pork Board	Authorized: Producers representing at least 12 states and importers; As of 10/28/93: 14 producers and 1 importer
Potatoes 1972	National Potato Promotion Board	Authorized: Producers based on production, up to 5 importers and 1 public representative; As of 10/28/93: 95 producers and 1 public member
Soybeans 1991	United Soybean Board	Authorized: Producers selected on geographic and production basis; As of 10/28/93: 60 producers representing at least 29 states
Watermelons 1990	National Watermelon Promotion Board	Authorized: Equal number of handlers and producers and one public representative; As of 10/28/93: 14 producers, 13 handlers, and 1 public member, with 1 handler vacancy ^P
Wheat Inactive ³	Wheat Industry Council	Authorized: 20 members consisting of producers, processors, manufacturers, and consumers
Wool 1955	American Sheep Industry Association (ASI)	Not specified in statute. As of 10/28/93: ASI's Board of Directors consists of 50 to 86 members selected by state and area sheep councils

**Appendix I
Federally Authorized Commodity Research
and Promotion Programs**

Authorized/current assessment rate	Coverage	Refund of assessment	Initial referendum/last referendum	USDA costs reimbursed
Authorized: Rate agreed to by USDA and the Council. As of 10/28/93: 4.5 cents per pound of mohair sold	USDA deducts assessment from price support payments to producers	No	Initial referendum: prior to program start; Last referendum: June 1991 approved by 87 percent of those voting.	None
Authorized: 1st year up to 1/4 cent per pound on sales; 2nd year up to 1/3 cent; 3rd year up to 1/2 cent; subsequent years up to 1 cent; As of 10/28/93: 1/4 cent	Producers and importers of more than 500,000 pounds of mushrooms per year	No	Initial and last referendum: August - September 1992 prior to program start approved by 68 percent of those voting ^k	Referenda (except federal salaries) and administrative services
Authorized: Prior to referendum, up to 1/2 cent per pound for in-shell sales; afterward, up to 2 cents per pound. Twice those rates for shelled; As of 10/28/93: 1/2 cent for in-shell and 1 cent for shelled	Growers, grower-shellers and importers of pecans	Only prior to initial referendum	Initial referendum: to be held no later than 2 years after program started ^d	Referenda (except federal salaries) and administrative services
Authorized: 0.35 percent of market value on sales; may increase 0.1 percent annually, not to exceed 0.5 percent; As of 10/28/93: 0.35 percent	All producers and importers of porcine animals	No	Initial referendum: held 24-30 months after program started; Last referendum: September 1988 approved by 77.5 percent of those voting ^m	Referenda and administrative services
Authorized: 2 cents per hundredweight or up to .5 percent of immediate past 10 year's U.S. average price on sales; As of 10/28/93: 2 cents per hundredweight	Producers growing potatoes on 5 or more acres, and importers	No	Initial referendum: prior to program start; Last referendum: August-September 1991 approved by 81 percent of those voting ^d	Referenda and administrative services
Authorized: 0.5 percent of net market value of soybeans sold; As of 10/28/93: same as authorized	Producers	Yes, prior to initial referendum ⁿ	Initial referendum: to be held 18-36 months after program started ^o	Referenda and administrative services
Authorized: Fixed by USDA Secretary, not to exceed 2 cents per hundredweight of watermelons sold; As of 10/28/93: 2 cents per hundredweight	Producers growing watermelons on 10 or more acres, and handlers ^p	Yes ^p	Initial and last referendum: February 1989 prior to program start approved by 52 percent of the producers and 56 percent of the handlers voting representing 73 percent of production ^d	Referenda and administrative services
Authorized: Not to exceed 5 cents per hundredweight of wheat sold	End-product manufacturers	Yes	Initial referendum: prior to program start ^a	Referenda and administrative services
Authorized: Rate agreed to by USDA and ASI. As of 10/28/93: 7.5 cents per pound of shorn wool and 37.5 cents per hundredweight on unshorn lamb sales	USDA deducts assessments from price support payments to wool producers	No	Initial referendum: prior to program start; Last referendum: August 1991 approved by 70 percent of those voting.	None

**Appendix I
Federally Authorized Commodity Research
and Promotion Programs**

^aSecretary to hold suspension/termination referendum if requested by 10 percent of those covered under the program.

^bFlowers and plants program was rejected in 1983-84 in the initial referendum and the Board was never established.

^cFluid milk program became effective in December 1993.

^dSecretary to hold suspension/termination referendum if requested by the Board or by 10 percent of those covered under the program.

^eLegislation authorizing the cut flowers and cut greens program was enacted in December 1993.

^fBeginning 3 years after the initial referendum (if it is approved) the Secretary shall hold a suspension/termination referendum if requested by the Council or by 30 percent or more of the handlers, or the Secretary may hold a referendum at his discretion.

^gSecretary to hold suspension/termination referendum every 5 years or if requested by the Board or by 10 percent of those covered under the program.

^hIn December 1993, the authorizing legislation was amended to change the scientific name of limes. Before this amendment passed, the lime program was inactive.

ⁱCongress has acted to phase out the mohair and wool price support programs over a 2-year period. Currently these check-off programs are funded by deducting the assessments from the price support payments made by USDA to the producers. According to USDA, no plans for alternative funding for the check-off programs have been made.

^jProgram became effective in 1993.

^kSecretary to hold suspension/termination referendum 5 years after order becomes effective, and if requested by the Board or by 30 percent of producers and importers.

^lInitiated in 1992 (Initial fiscal period September 1992 - September 1993).

^mSecretary to hold suspension/termination referendum if requested by 15 percent of producers and importers. No more than one referendum will be held every 2 years.

ⁿSecretary required to conduct a producers poll to determine if they want a referendum conducted on whether to continue refunds.

^oPoll is required of producers every 5 years to determine if they want a reconfirmation referendum to be conducted; or if requested by 10 percent of those covered under the program.

^pA December 1993 amendment to the watermelon program legislation—if approved by a referendum in 1994—will add one or more importers to the Board, will require importers to pay assessments, and will eliminate refunds of assessments except for importers of less than 150,000 pounds of watermelons per year.

^qWheat program was terminated in 1986 by the Secretary of Agriculture at the request of the board.

Source: GAO analysis of AMS data.

Schedule of Revenues and Uses of Funds for Federally Authorized Commodity Research and Promotion Boards for Fiscal Years Ended in 1992

Commodity	Beef	Cotton	Dairy	Eggs	Honey	Mohair
Period covered: fiscal year reported by the boards	10/1/91 through 9/30/92	1/1/92 through 12/31/92	5/1/91 through 4/30/92	1/1/92 through 12/31/92	1/1/92 through 12/31/92	7/1/91 through 6/30/92
Revenue:						
Assessments to national boards	\$42,909,505 ^a	\$47,500,386	\$75,555,000 ^a	\$7,678,012	\$3,086,293	\$736,449
Less refunds	0	0	0	0	33,917	0
Net assessments	\$42,909,505	\$47,500,386	\$75,555,000	\$7,678,012	\$3,052,376	\$736,449
Investment income	1,274,307	918,803	1,373,000	163,934	34,429	209,405
Other	24,675	566,628	0	0	21,583	0
Total revenue	\$44,208,487	\$48,985,817	\$76,928,000	\$7,841,946	\$3,108,388	\$945,854
Uses of funds:						
Promotion	\$30,210,081	\$28,031,961	\$60,393,000	\$5,007,758	\$1,347,625	\$401,074
Research	4,462,483	12,095,772	12,465,000	325,000	163,926	0
Industry information	4,578,569	250,041	1,650,000	227,988	159,967	0
Consumer information	5,343,776	0	1,734,000	1,816,276	851,970	0
State/regional programs ^b	0 ^a	0	0 ^a	448,063	^c	0
Payments to USDA ^d	181,949	140,926	555,000	60,404	85,804	0
General & admin.	1,598,962	3,590,251	2,183,000	455,547	384,920	360,111
Miscellaneous	1,495,318	191,425	0	0	96,662	764
Total uses of funds	\$47,871,138	\$44,300,376	\$78,980,000	\$8,341,036	\$3,090,874	\$761,949
Excess of revenue over (under) expenditures	(\$3,662,651)	\$4,685,441	(\$2,052,000)	(\$499,090)	\$17,514	\$183,905

**Appendix II
Schedule of Revenues and Uses of Funds for
Federally Authorized Commodity Research
and Promotion Boards for Fiscal Years
Ended in 1992**

Pork	Potatoes	Soybeans	Watermelon	Wool	Total for all commodities	Percent of total uses of funds (Average)
1/1/92 through 12/31/92	7/1/91 through 6/30/92	7/9/91 through 9/30/92	11/1/91 through 12/31/92	10/1/91 through 9/30/92		
\$38,006,082	\$6,408,745	\$20,624,590 ^a	\$983,675	\$6,135,637	\$249,624,374	
0	199,897	0	286,516	0	520,330	
\$38,006,082	\$6,208,848	\$20,624,590	\$697,159	\$6,135,637	\$249,104,044	
122,414	49,721	128,457	14,609	257,311	4,546,390	
34,547	42,623	0	100	44,868	735,024	
\$38,163,043	\$6,301,192	\$20,753,047	\$711,868	\$6,437,816	\$254,385,458	
\$19,446,599	\$3,662,575	\$5,451,700	\$163,459	\$3,359,965	\$157,475,797	64.29
4,428,705	0	1,482,084	0	0	35,422,970	14.46
0	124,273	1,151,279	115,295	920,692	9,178,104	3.75
3,491,000	196,406	1,076,487	36,029	0	14,545,944	5.94
7,811,597	^c	0 ^a	^c	656,796	8,916,456	3.64
168,214	95,611	255,793	93,136	0	1,636,837	0.67
103,358	1,170,605	1,215,897	202,145	1,391,812	12,656,608	5.17
1,141,683	52,116	2,024,535	0	108,551	5,111,053	2.09
\$36,591,156	\$5,301,585	\$12,657,775	\$610,064	\$6,437,816	\$244,943,769	
\$1,571,887	\$999,607	\$8,095,272	\$101,804	\$0	\$9,441,689	

**Appendix II
Schedule of Revenues and Uses of Funds for
Federally Authorized Commodity Research
and Promotion Boards for Fiscal Years
Ended in 1992**

^aFor the beef, dairy, and soybean programs the assessment amounts reported do not include the amounts collected through the national check-off programs that go directly to state and regional promotion programs. Of the total assessments collected under the national check-off programs, the following amounts go directly to state/regional programs annually: about \$36 million for beef, \$150 million for dairy, and \$20 million for soybean programs.

^bAmounts allocated by the national boards to state and regional promotion programs.

^cThe legislation authorizing the honey, potato, and watermelon programs does not authorize their boards to allocate funds to state and/or regional promotion programs.

^dThis category includes reimbursements for AMS oversight. The amount shown for the dairy program also includes \$203,000 for the Economic Research Service's analysis of the effectiveness of the dairy promotion program; this analysis is included in the Secretary of Agriculture's annual report to Congress as required by law. The legislation authorizing the mohair and wool programs does not provide for AMS to be reimbursed for its oversight costs.

Notes: Data were not available for the fluid milk, mushroom, and pecan programs because they had not completed their first year of operation at the time of our review. The flowers and plants, fresh cut flowers and fresh cut greens, lime, and wheat programs are not active. Data excludes USDA Foreign Market Development and Market Promotion Program funds.

Source: AMS data.

Comparison of Assessments to Reimbursements Paid for Agricultural Marketing Service's Oversight for Fiscal Years Ended in 1992

Commodity	Year program started	Assessments net of refunds	Reimbursements to AMS	Reimbursements as a percent of assessments
Beef	1986	\$42,909,505	\$181,949	0.42
Cotton	1966-67	47,500,386	140,926	0.30
Dairy	1984	75,555,000	352,000 ^a	0.47
Eggs	1976	7,678,012	60,404	0.79
Honey	1987	3,052,376	85,804	2.81
Mohair	1966	736,449	^b	^b
Pork	1986	38,006,082	168,214	0.44
Potatoes	1972	6,208,848	95,611	1.54
Soybeans	1991	20,624,590	255,793	1.24
Watermelon	1990	697,159	93,136	13.36
Wool	1955	6,135,637	^b	^b
Total		\$249,104,044	\$1,433,837	0.59^c

^aExcludes \$203,000 paid for the analysis of the effectiveness of the dairy promotion program made by USDA's Economic Research Service.

^bThe legislation authorizing the mohair and wool programs does not provide for AMS to be reimbursed for its oversight costs which are about \$35,000 annually.

^cComputed excluding assessments for the mohair and wool programs.

Note: Data were not available for the fluid milk, mushroom and pecan programs because they had not completed their first year of operation at the time of our review. The flowers and plants, fresh cut flowers and fresh cut greens, lime, and wheat programs are not active.

Source: GAO analysis of AMS data.

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