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# REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES



## Summary Of GAO Reports Issued Since 1973 Pertaining To Farm Bill Legislation

GAO has issued over 50 reports since the Farm Bill was last renewed in 1973 which pertain to programs authorized by that legislation and related issues. These reports address such subjects as:

- Farm and commodity support issues, including
  - export subsidies,
  - commodity shortages,
  - import restrictions,
  - commodity forecasting,
  - meat inspection,
  - pesticide control, and
  - agricultural research.
- Disaster assistance.
- Grain reserves.
- Food assistance (Public Law 480) and foreign agricultural development.
- Grain inspection.
- Rural development.
- Food stamps.

This report briefly summarizes and updates these reports to assist the Congress in its current deliberations concerning renewal and possible modification of the Farm Bill.

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MARCH 3, 1977

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## SUMMARY OF GAO REPORTS ISSUED

### A. FARM AND COMMODITY SUPPORT ISSUES

- A-1. Reduction in Federal Expenditures Possible Through Commodity Credit Corporation's Assumption of Insured Warehouse Risks (RED-75-320, Jan. 10, 1975)

#### SUMMARY

This review was made to (1) develop information on the cost and related benefits to the Commodity Credit Corporation of commercial insurance protection on losses and shortages of stored grain and (2) ascertain whether it was practicable for the Corporation to assume these risks rather than pay for such protection.

The storage charges which the Corporation pays on grain under its price-support programs are set under a contract with commercial warehouses. These prices include charges for hazard insurance. The Corporation was also carrying a blanket insurance policy for protection against shortage of warehouse-stored grain.

GAO recommended, that the Secretary of Agriculture have the Corporation

- eliminate hazard insurance coverage on grain for which it pays storage charges and obtain commensurate reductions in storage rates and
- terminate the insurance coverage against shortages at the earliest opportunity and assume the risks and the responsibility for collecting from warehousemen and their sureties.

#### UPDATE

By letter dated August 20, 1975, the Corporation notified the insurance company that it was terminating the insurance coverage against shortages effective December 1, 1975.

On December 21, 1976, the Corporation's Board of Directors adopted a self-insurance policy for hazard risks on commodities for which it pays storage charges.

A-2. Review of U.S. Import Restrictions--Need to Define National Sugar Goals (ID-75-80, July 10, 1975)

### SUMMARY

On December 31, 1974, the Sugar Act expired. Quotas established for foreign suppliers and domestic producers, intended to protect the welfare of the U.S. sugar industry and to provide consumers with ample supplies of sugar at reasonable prices, terminated with this act.

As the world's largest sugar importer, U.S. buying power under any sugar program could be an influential factor in achieving foreign economic and political objectives. The multilateral trade discussions, relations with developing countries, obligations under the General Agreement on Tariffs and Trade, and the future development of an interdependency among all countries are areas for considering such objectives.

The dilemma facing the United States is the need to strike a balance between the two domestic conflicting interests--industry and consumers--and U.S. foreign interests.

To achieve such a balance, effects of different policies and programs on domestic and foreign interest, as well as their costs, must be carefully weighed. GAO stated that it believed it to be an opportune time to consider the range of sugar program alternatives available. Any sugar program should be flexible enough to deal with changes in supply and demand on U.S. and world economies.

### UPDATE

Following substantial declines in sugar prices, the Senate Finance Committee requested on September 17, 1976, that the International Trade Commission (ITC) institute an investigation under section 201(b) of the Trade Act of 1974 to determine whether sugar was being imported into the United States in such increased quantities as to cause substantial injury to the domestic sugar industry.

On September 21, 1976, the President issued a Proclamation that tripled the tariff on imported sugar from 0.625 cents a pound to 1.875 cents a pound. The President also has urged ITC to expedite its investigation on sugar. ITC's investigative schedule is to submit a final report in March 1977.

A-3. Federal Pesticide Registration Program: Is It Protecting the Public and the Environment Adequately from Pesticide Hazards? (RED-76-42, Dec. 4, 1975)

SUMMARY

This was the third in a series of GAO reports issued to alert the Congress to shortcomings in the Environmental Protection Agency's (EPA's) efforts to protect man and the environment from the effects of harmful pesticides.

GAO found during its review of the Federal pesticide registration program the following conditions.

- Safety and efficacy data have not been submitted to support marketing many pesticides. (Safety data include information on cancer, genetic changes, birth defects, and reproduction.)
- Safety and efficacy data is not required for the pesticides as marketed, only for individual active ingredients.
- Reviews of inert ingredients (such as vinyl chloride) are not subjected to the full range of safety testing.
- Many labels do not comply with requirements.
- Pesticide residue tolerances are not periodically monitored or reviewed.
- The safety of pesticide residues in some foods has not been determined.
- Statutory registration requirements are not carried out in a timely basis.

Recommendations made to the Administrator, EPA, were as follows:

- Identify and notify registrants of required safety (including mutagenicity) and efficacy studies which are not available for their pesticides and cancel the registration of those pesticides for which data has not been submitted within a reasonable time.

- Require complete data submissions as a basis for the Federal Environmental Pesticide Control Act (FEPCA) registration of pesticides. This policy should also be applied to future registration renewals.
- Consider requiring the safety and environmental testing of pesticides as marketed, particularly tests which pertain to the possible synergism of ingredients.
- Require complete testing of inert ingredients used in pesticide formulations that may present health or environmental hazards.
- Evaluate the need for interim tolerances and if determined essential, propose guidelines for their establishment.
- Reassess the need for and adequacy of data submissions for all interim tolerances; interim tolerances found unnecessary or lacking sufficient data should be canceled if the data is not submitted by a set deadline.
- Cancel the registrations of pesticide food uses for which neither permanent nor interim tolerances exist.
- Determine Agency needs--funds, personnel, facilities, equipment, or time--to (1) adequately review all pesticides currently produced within the required FEPCA time frame and (2) administer the entire pesticide program in an effective and efficient manner and bring such needs to the attention of the Congress.
- Complete the reregistration program and then reimplement the 5-year renewal program to insure that each pesticide is periodically reviewed for compliance with labeling and data requirements.
- Review the adequacy of supporting safety and residue data for all existing tolerances and require manufacturers to submit any missing data.
- Evaluate total human exposure to each pesticide residue and insure that total residues do not exceed the acceptable daily intake.

--Review periodically all tolerances and revise as necessary.

--Work with the Federal Drug Administration (FDA) to develop a program whereby over a period of years all pesticides with tolerances would be tested in FDA's surveillance program.

We recommended that the Secretary, HEW, through the Commissioner, FDA:

--Expand HEW's surveillance program so that over a period of years all pesticides with tolerances are tested in the surveillance program.

--Coordinate with EPA on all future samplings of pesticide residues in food.

GAO recommended that the Administrator, EPA, establish procedures to insure that all pesticides are adequately labeled. Following are some items that should be considered when developing these procedures.

--An effective method, such as review checklists, should be developed and used by label reviewers to insure that all labeling and data requirements are met.

--A system should be established by which EPA can efficiently follow up those pesticides where registration has been approved pending EPA's receipt of the requested label or other required material.

--More emphasis and personnel should be provided to correct and upgrade data compendiums used in the registration process.

--A system is needed to insure that pesticides reviewed before the effective date of a labeling requirement are reviewed within 1 year for compliance with the requirement.

#### UPDATE

EPA has made only limited progress to date in implementing GAO's recommendations. EPA's efforts have been concentrated on completing its registration guidelines and developing methods for reregistering approximately 32,000 pesticides. These actions, scheduled to be completed in

1974 and 1976, respectively, have not been completed. The Congress has extended EPA's reregistration deadline until October 1977; however, it is doubtful that this deadline will be reached as EPA has registered only a handful of the 32,000 pesticides.

Also, EPA has not yet identified all gaps in required safety and efficacy studies. It has not altered its policies regarding (1) testing of inert pesticide ingredients, (2) testing of products as formulated, or (3) correcting pesticide labeling deficiencies, many of which were to be identified or corrected during the reregistration process.

EPA, because of its activities in the foregoing, has not yet addressed GAO's recommendations regarding the tolerance setting program.

Many of the deficiencies addressed in GAO's report were also discussed in the January 3, 1977, staff report, "The Environmental Protection Agency and the Regulation of Pesticide," of the Subcommittee on Administrative Practice and Procedure, Senate Committee on the Judiciary.

The Secretary, HEW, now has a memorandum of agreement with EPA whereby FDA coordinated samplings of pesticide residues in foods; however, there has been no change in FDA's surveillance program so that all pesticides with tolerances are tested in the surveillance program periodically.

A-4. What the Department of Agriculture Has Done and Needs to do to Improve Agricultural Commodity Forecasting and Reports (RED-76-6, Aug. 27, 1975)

SUMMARY

Department of Agriculture forecasts of wheat and corn acres harvested, yields, domestic demands, exports, carryovers, and prices have not been sufficiently accurate in recent years. Cases cited in this report show how off-target forecasts and misjudgments of farmers responses to cropland set-aside programs contributed to decisions which resulted in (1) higher price-support payments than would have been made otherwise and (2) land held out of production that should have been planted to meet full production needs.

GAO recommended that the Secretary of Agriculture require the Department to

--disclose in forecast reports, or by reference to other published documents, important assumptions and procedures underlying forecast amounts, including factors that could cause the eventual outcome to be near the extremes of a range, and

--evaluate periodically forecast users' information needs and where practicable, change forecast reporting to accomodate these needs.

UPDATE

During appropriation hearings on March 13, 1976, Department officials said that as a result of GAO recommendations, the Department (1) was better explaining in its forecasts the derivation of outlook estimates, (2) was evaluating users information needs, and (3) had instituted procedures to better document its forecasts and to make systematic and periodic evaluations of the accuracy of forecasts and of major errors and their causes.



A-5. U.S. Import Restrictions: Alternatives to Present Dairy Program (ID-76-44, Dec. 8, 1976)

SUMMARY

The Agriculture and Consumer Protection Act of 1973 required the Secretary of Agriculture to conduct a study to determine the effects that increased levels of dairy imports would have on domestic producers, handlers, processors, and consumers. The Department of Agriculture analyzed three trade alternatives for the period 1975-80: a continued policy of U.S. import quotas, free trade by all countries, and an open U.S. market.

GAO found that the study did not consider the price effects of a gradual increase in quotas, with countervailing duties or other measures available to protect the U.S. market and producers against the importation of subsidized surpluses.

GAO, therefore, stated that alternatives or modifications to the present dairy program should be explored to insure a balance among the interests of the consumer, producer, taxpayer, and U.S. trade objectives.

In view of the possible benefits, GAO recommended that the Congress instruct the Secretary of Agriculture, in conjunction with other agencies, to analyze and define viable alternatives or modifications to the present protective system of dairy import quotas and related modifications to the domestic dairy program and have such alternatives or modifications submitted for consideration and possible legislative action.

The report also contained two recommendations to the Secretary of Agriculture aimed at providing equity for allocating quotas among countries and licenses to importers. The Department of Agriculture stated that it believed the recommendation on country allocations would not be feasible and that the recommendation for allocating import licenses would not be desirable.

A-6. Improvements Needed in the Department of Agriculture's Commodity Distribution Program (B-114824, Sept. 18, 1973)

SUMMARY

GAO evaluated the reasonableness of distribution costs, including transportation costs and intransit losses, for processed commodities donated to State agencies under the commodity distributing program.

GAO found that the Department of Agriculture had not taken full advantage of savings in transportation costs and other benefits available by shipping larger volumes.

Although distributing agencies in 30 States were using facilities capable of receiving full carloads, about 70 percent of shipments involved railcars with less than three-fourths of their capacity used.

In addition, distributing costs could have been reduced substantially by providing a lesser variety of food for the school lunch program. This could have saved the Federal Government and the school's money without affecting the quality of lunches served.

GAO recommended that the Secretary of Agriculture direct responsible officials to:

- Review minimum lot sizes for all food types to qualify for the most economical rail rates.
- Develop guidelines to assist State distributing agencies in minimizing deliveries of small orders and orders requiring stopoff deliveries.
- Review periodically distributing agency order practices.
- Consider providing a lesser variety of food for the school lunch program.
- Direct that an inspector be present at all times when checkloading is required and that he count each unit as it is loaded.
- Provide the Agricultural Marketing Service with a means of evaluating checkloading procedures.

## UPDATE

The Department immediately took action which would alleviate or lessen the effect of problems set forth in GAO's report. In the school lunch program it made arrangements to increase sizes of shipments, and efforts were instituted to encourage States to improve their ordering and receiving activities. In addition, the rising costs and scarcity of certain food items automatically reduced the variety of food purchased. GAO has not reevaluated the Department's commodity distribution program since these changes have been made.

A-7. Impact of Soybean Exports on Domestic Supplies and Prices (B-178753, Mar. 22, 1974)

SUMMARY

At the request of Representative Robert Steele, GAO (1) examined the effect of U.S. policy on the supply and price of U.S. soybean products, (2) examined the extent of the executive branch's awareness of the short supply problems with soybeans, and (3) suggested ways to mitigate the effects of these problems.

A combination of domestic and international factors helped to precipitate the soybean problem early in 1973, but the major causes were the great foreign demand for soybeans and the continuation of Agriculture's policy of increasing exports.

GAO did not make any recommendations in this report. However, several matters did emerge during the course of the review. GAO presented the following suggestions to the Congress and the executive branch for consideration in the interest of minimizing future soybean problems.

1. Strengthen the control over future market activities.
2. Establish a better reporting system for monitoring exports of soybeans, soybean meal, and other critical agricultural commodities.
3. Adopt a flexible export policy for critical commodities.
4. Implement a comprehensive reserve program.

UPDATE

In a current review dealing with export reporting and related export policy issues, GAO is evaluating the need for an explicit 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 would also clarify the Government's position on grain sales to nonmarket economies, including the propriety of such mechanisms as long-term agreements and government-to-government negotiations.

GAO is also evaluating the need for an improved export reporting system that functions as an effective early warning system.

A-8. Effects on Wholesale and Retail Prices Due to Sale of Wheat to Egypt; American-flag Vessels Shipping this Wheat (B-176943, Dec. 6, 1974)

SUMMARY

At the request of Representative Eilberg, GAO examined (1) the effect an agreement to supply 100,000 tons of wheat to Egypt had on the wholesale and retail prices of wheat and wheat products in the United States and (2) whether this wheat would be shipped in American-flag vessels.

According to Department of Agriculture officials, the sale had little, if any, impact on the wholesale and retail price of wheat in the United States. The quantity sold to Egypt--the equivalent of 3.7 million bushels based on a market price of \$4.71 per bushel--represented about two-tenths of 1 percent of the estimated domestic wheat production during the 1974 crop year. The officials contended that such a small quantity would not have a major influence on domestic prices.

The report contained no recommendations.

A-9. Russian Wheat Sales and Weaknesses in Agricultural Management of Wheat Export Subsidy Program (B-176943, July 9, 1973)

SUMMARY

GAO examined the implications of the massive wheat sales to Russia in the summer of 1972 and the Department of Agriculture's management of the subsidy program.

The large sales of U.S. wheat to Russia and other countries in the summer of 1972 caused a dramatic rise in the price of U.S. wheat.

Agriculture claimed that the U.S. Treasury would accrue net benefits totaling about \$457 million as a result of the wheat sales to Russia in addition to the following benefits.

- Increased prices that farmers would receive for their crops.
- Creation of new jobs.
- Improved balance of trade.

Agriculture was committed to pay over \$300 million in subsidies on the Russian and other export sales. GAO stated it believed that many of these sales would have been made even with reduced subsidies and that Agriculture should have responded more rapidly to the available information and reduced or eliminated the subsidies sooner.

GAO recommended that the Secretary of Agriculture take the following actions.

1. Because of the weaknesses observed in the wheat export subsidy program:
  - Review the wheat export subsidy program in its entirety and predicate its reinstatement on a meaningful justification for its existence.
  - Devise a better system of coordinating with private exporters on sales of agricultural products to such nonmarket economies as those of Communist countries, other Government-directed procurements, and large-scale procurements.

- Review the legality of export subsidy payments involving sales to foreign affiliates.
- 2. For disseminating foreign agricultural information:
  - Form a joint Government-business committee representing farmers, processors, distributors, and exporters to identify information needs.
- 3. If the program review concluded that subsidies were needed:
  - Determine the most effective and efficient ways to use subsidies to compete in world markets.
  - Provide for periodic evaluation of program effectiveness and efficiency.
  - Document the basis and reasoning used in establishing daily subsidies.
  - Direct that sales and cost data on wheat transactions be used in establishing and checking the reasonableness of subsidy levels and consider flexible subsidies according to geographic locations and circumstances.
  - Better coordinate commercial sales, consessionary credit sales, and sales from Commodity Credit Corporation inventory into a cohesive wheat export policy having appropriate safeguards on subsidy payment amounts.
  - Consider revising the basis for computing entitlement to the carrying-charge increment.

In addition, GAO recommended that the Congress consider requiring agencies to develop definitive ground rules so that expected benefit from exports could be appropriately weighed against their impact on various segments of the domestic economy.

#### UPDATE

At the request of several Members of Congress, GAO reviewed the Department of Agriculture's action to implement recommendations contained in GAO's report. A separate report containing the results of this review is discussed in item A-12 on page 20.



A-10. Exporters Profits on Sales of U.S. Wheat to Russia  
(B-176943, Feb. 12, 1974)

SUMMARY

At the request of Representative John Melcher, GAO examined:

- Whether six exporters unduly profited from inside information on Russian wheat requirements, their intention to purchase wheat from the United States, and Government policies facilitating these sales.
- The flow of information between the Commodity Exchange Authority and organizations within the Department of Agriculture.

Out of six export companies interviewed, five agreed to make available to GAO records and documents concerning the sales of wheat to Russia.

The estimated financial results of the sale to Russia of 316 million bushels of hard winter wheat, as reported to GAO by the five grain companies, ranged from a profit of 2 cents to a loss of 1.9 cents per bushel. Hard winter wheat sales constituted about 91 percent of the sales made to Russia by the five companies.

Grain companies and trade sources told GAO that a reasonable profit goal in grain merchandising was 1 percent of gross sales, or about 1.6 cents per bushel on the sale to Russia. GAO could not substantiate the reasonableness of the profit goal or determine the appropriateness for sales comparable to the Russian sales.

Available records concerning the background of Russian wheat sales tend to support the view that exporters either did not have inside information on Russian buying intentions or did not take advantage of such information.

The report contained no recommendations.

A-11. U.S. Actions Needed to Cope with Commodity Shortages  
(B-114824, Apr. 29, 1974)

SUMMARY

Many agricultural, industrial, mineral, and raw material commodities had been plagued by shortage problems in the United States and worldwide during 1973 and early 1974.

Because of the growing concern over future commodities and resources and their implications for the Nation's future, GAO examined the Government's system of coping with these problems.

GAO concluded that the U.S. Government does not have an effective planning, policy analysis, and policy formulation system for basic commodities. GAO made a series of recommendations to strengthen the executive branch departments, agencies, and policy councils concerned with the commodity policy process.

GAO recommended that the Congress, in its legislative deliberations, consider (1) executive branch agency actions being taken, (2) recommendations for improving agency capability for coping with commodity problems, and (3) the need for legislation to establish a centralized mechanism for developing and coordinating long-term policy planning.

UPDATE

On June 24, 1976, GAO testified before the Subcommittee on Foreign Agricultural Policy, Senate Committee on Agriculture and Forestry, on a key element of food resource allocation: food export policy and, more specifically, executive branch management of the Russian grain sale, export reporting, and related policy issues. The testimony outlined fundamental problems in the U.S. food export policy machinery.

- The agricultural reporting system fails to yield accurate and timely data on projected foreign demand.
- Current export policies--which are part of a broader agricultural supply management system--are less than complete, lack cohesion, and fail to provide the flexibility necessary to meet both domestic and international objectives and changing food supply and demand conditions.

--Current policy implementation is fragmented, often ill timed, and generally suffers from an absence of rational decisionmaking based on a preselected policy use formula.

At the Committee's request, GAO proposed an amendment to section 812 of the Agriculture and Consumer Protection Act of 1973 for congressional consideration. The proposed amendment was intended to make more and better export information available to the Secretary of Agriculture and to provide a mechanism to facilitate more timely decisionmaking.

The basic elements of the proposed amendment, which was furnished to the Committee and appears in detail in the Committee print of the June 24 testimony, are as follow:

- Exporters would be required to furnish Agriculture with weekly reports regarding any commitment, contract, or other agreement for export sales entered into, modified in any manner, or terminated during the weekly reporting period.
- Exporters would be required to notify the Secretary of Agriculture within 15 days of their commencement of any contacts with foreign commercial or government importers which might result in export of wheat and flour, feed grains, oilseeds, soybeans, or other agricultural commodities designated by the Secretary.
- The Secretary would determine at the start of each marketing year whether a short supply situation exists or will exist for each commodity on which exporters' reports are filed. The Secretary, using information from executive branch sources and exporters' reports would periodically review these commodity situations and modify his determination as appropriate.
- Whenever a short supply situation is determined, the Secretary would report it to the Congress. Unless either House, within 30 legislative days, provided a resolution to the contrary, exportation of the short-supply commodity would be subject to regulation by the Secretary of Commerce under the Export Administration Act of 1969.

--The Secretary of Agriculture--utilizing the full resources of the Department--would make a semiannual report to the President and the Congress on:

1. The impact on the economy and world trade of shortages or increased prices for commodities subject to these reporting requirements.
2. The worldwide supply of such commodities.
3. Actions being taken by other nations in response to such shortages or increased prices.

A-12. Agriculture's Implementation of GAO's Wheat Export Subsidy Recommendations and Related Matters (ID-76-39, Mar. 3, 1976)

SUMMARY

This was a followup review to a similar study made in 1973 (see item A-9 on p. 14). GAO evaluated several limited scope audits, studies, and advisory position papers in an attempt to determine the Department of Agriculture's responsiveness to GAO's 1973 recommendations.

The report pointed out that although the Department had initiated a variety of audits, selective studies, and advisory position papers, most of its efforts were not intended to constitute the formal systematic evaluation recommended by GAO.

In view of the inadequate response by the Department to prior recommendations, GAO recommended that the Congress

- reexamine the entire subject of agricultural export subsidies and determine whether legislation should be considered as a means of insuring a more effective and efficient subsidy program should one become necessary in the future and
- review the resulting evaluation by the Department of the export subsidy program and their proposed guidelines for any new programs.

UPDATE

On June 24, 1976, GAO assessed the nature of agricultural export policies in testimony before the Subcommittee on Foreign Agricultural Policy, Senate Committee on Agriculture and Forestry. GAO noted that the policies had to be evaluated in terms of an overall agricultural supply management system and that, as such, they were less than complete, lacked comprehension, and failed to provide the flexibility necessary to meet both domestic and international objectives and changing food supply and demand conditions.

A more complete discussion on this is included under the update for item A-11 dealing with the GAO report on "U.S. Actions Needed to Cope with Commodity Shortages" (B-114824, Apr. 29, 1974).

A-13. Need Intensifies to Amend Legislation to Reduce  
Government Losses on the Peanut Price-Support Program  
(B-163484, Apr. 13, 1973)

SUMMARY

GAO reported to the Congress that the Community Credit Corporation was incurring substantial losses under the peanut price-support program and that such losses would continue to mount unless the program was changed.

The Secretary of Agriculture was required by law to control peanut production on the basis of demand, but he could not authorize less than 1,610,000 acres annually for growing peanuts. Each year since 1955 fewer than 1,610,000 acres had been needed to satisfy demand because advances in farm technology had increased yields per acre. Under the peanut price-support program, the Commodity Credit Corporation had to buy and store surplus peanuts, and it had been selling them at a loss. From 1967 through 1971 the Corporation lost \$279 million on the program. Projections showed that losses from 1973 through 1977 would total \$537 million unless the program was changed.

GAO recommended that the Congress amend the Agricultural Adjustment Act of 1938 to rescind the minimum acreage provision to give the Secretary of Agriculture more flexibility to adjust production.

UPDATE

No action has been taken on GAO's recommendation. During the 94th Congress legislation was introduced (H.R. 12808) that would have reduced the minimum national acreage allotment for peanuts from 1,610,000 acres to 1,247,000 acres. The bill was approved by the House Committee on Agriculture and was not approved by the Senate Committee on Agriculture and Forestry.

A-14. Agricultural Research--Its Organization and Management  
(RED-76-92, Apr. 9, 1976)

SUMMARY

GAO's staff study identified the:

- Acts which provide for the Federal support of agricultural research.
- Organizations involved in that research.
- Diversity of the research conducted.
- Sources of funds supporting agricultural research.

The study described the principal techniques employed by the Department of Agriculture and State institutions to plan and coordinate their research programs. In addition, it discussed some of the most important management techniques employed by the Agricultural Research Service, Cooperative State Research Service, Forest Service, and Economic Research Service in carrying out their responsibilities for agricultural research.

This study contained no recommendations.

A-15. Aspects of the Beekeeper Indemnity Payment Program  
(B-176563, Feb. 13, 1973)

SUMMARY

GAO reported to Representative Jamie Whitten, Chairman, Subcommittee on Agriculture--Environmental and Consumer Protection, House Committee on Appropriations, that, although the regulations and instructions for implementing the beekeeper indemnity payment program were generally adequate, the instructions were unclear in several areas. The Agricultural Act of 1970 authorized indemnity payments to beekeepers who, through no fault of their own, lost honeybees after January 1, 1967, because of the use of pesticides registered and approved for use by the Federal Government.

GAO reported also that inspectors appeared to be adequately trained, indemnity payment rates were generally sufficient to cover replacement costs and some loss of income, and future program payments were expected to decline in some of the States we reviewed and to increase in other States.

UPDATE

Acting on GAO's recommendations, the Agricultural Stabilization and Conservation Service revised its instructions to (1) provide guidelines for establishing reasonable time limits within which beekeepers must report their bee losses and the related inspections must be made, (2) provide that county offices make sure inspections are made within the prescribed time limits, and (3) provide more specific guidance to county offices on evidence they can accept as proof of damage.



A-16. Consumer Protection Would be Increased by Improving the Administration of Intrastate Meat Plant Inspection Programs (B-163450, Nov. 2, 1973)

#### SUMMARY

Under the Wholesome Meat Act of 1967, States must maintain inspection and sanitation requirements at intrastate meat plants equal to those at federally inspected meat plants. The Department of Agriculture assumes inspection responsibility for plants in States that do not comply with this requirement.

GAO reported to the Congress that the Animal and Plant Health Inspection Service needed to (1) improve and clarify its criteria for rating meat plants and (2) develop definitive standards and criteria for determining whether State programs are comparable to the Federal program and when a State should be notified that its plants may be designated for Federal inspection. Also administrative costs could be reduced and other benefits could result if the Department reviewed State-inspected meat plants on a statistical sampling basis to determine if State inspection and sanitation requirements are equal to Federal requirements.

#### UPDATE

The Department issued a directive, effective January 1, 1974, which implements GAO's recommendations.

A-17. Information on Federal Agencies Having an Impact on Production and Marketing of Meat (B-136888, Mar. 25, 1974)

SUMMARY

At the request of the Subcommittee on Livestock and Grain, House Committee on Agriculture, we provided a report summarizing information obtained from 15 agencies within the Department of Agriculture and 16 other Federal agencies on their objectives, programs, activities, and responsibilities concerning the Nation's meat production and marketing system.

GAO prepared the report as a source of reference to (1) the public service activities which the Federal Government provided to facilitate, improve, strengthen, and support the operation of the system and (2) the Federal regulatory activities which are intended to protect the system by imposing controls, limitations, or restrictions which set minimum standards of conduct for both production and marketing or to prevent the structural form of the system from impeding competition.

This report contained no recommendations.

A-18. Salmonella in Raw Meat and Poultry: An Assessment of the Problem (B-164031(2), July 22, 1974)

SUMMARY

FDA and the Animal and Plant Health Inspection Service, Department of Agriculture, are responsible for protecting consumers from food-borne illnesses caused by harmful bacteria, for example, illnesses caused by salmonella-contaminated raw meat and poultry products. An estimated 2 million cases of salmonellosis--the infection caused by the salmonella bacteria--occur annually, resulting in medical payments and lost working days costing at least \$300 million.

GAO reported to the Congress that salmonella-contaminated raw meat and poultry products were reaching the market and consumers had not been adequately alerted to the problem nor to the safeguards they must take to minimize the spread of this bacteria during food handling. Federal efforts have not had a major impact in controlling human salmonellosis and have resulted in certain industries being regulated for salmonella contamination while others are not.

GAO recommended that the Departments of Health, Education, and Welfare and Agriculture:

- Implement recommendations made by internal FDA and Agriculture task forces formed during GAO's review to achieve more timely and effective control of the salmonella problem.
- Cooperate in a program to assess the extent of salmonella-contaminated raw meat and poultry products (by product type) on the market.
- Emphasize to consumers the serious potential health problem associated with handling raw meat and poultry, particularly chicken and pork, and the precautions to take in handling them.
- Periodically measure effectiveness of their consumer education programs. To supplement a broader education effort, consideration should be given to identifying target groups, such as the elderly, to which intensified consumer education should be directed.

## UPDATE

FDA has taken a number of actions related to keeping the consumer informed. Most recently, it began funding a pilot consumer education project geared toward promoting public awareness of food safety factors. The project began early in 1976 and should be completed before October 1977. At that time FDA will attempt to evaluate the projects' effectiveness.

As recommended by its task force, FDA is continuing its role in the Voluntary Cooperative Salmonella Program and is developing several regulatory initiatives. The latter includes the preparation of a model ordinance and code for retail food stores and food service sanitation. The retail food store code has been prepared and publication is anticipated before October 1977. The food sanitation code should be published during February 1977. Both of these publications will be offered to States as voluntary packages. States may alter them to conform with their own legislative requirements.

FDA has not and does not plan to assess the extensiveness of salmonella contamination through a type of inspection program. FDA believes that geographical and other variations will make such measurements difficult and costly. It believes that current statistics can be used to evaluate long-term FDA program effectiveness.

The Department of Agriculture is continuing to implement its own task force's recommendations. It has established a salmonella advisory committee to help it achieve the task force goals.

The Department is willing to cooperate in a program to assess levels of bacterial contamination but, to date, no such program has been undertaken.

The Department is conducting an intensive inspection program aimed at the consumer. The major objective of this campaign is the dissemination of information about how to prevent food borne illnesses from the foremost common sources; one of which is salmonella.

A-19. Man and His Environment: EPA Efforts to Remove  
Hazardous Pesticides from the Channel of Trade  
(B-133192, Apr. 26, 1973)

SUMMARY

In a report to the Congress GAO stated that EPA's suspensions and cancellations of the registrations of certain hazardous pesticides had been only partly effective because EPA allowed other pesticides containing the same ingredients and registered for the same uses to remain on the market. For example, although EPA suspended registration on a certain compound known as 2, 4, 5-T because of a highly toxic contaminant--dioxin--it did not suspend other pesticides containing dioxin. EPA said the factors affecting suspension were too complex to permit uniform criteria and that the question of dioxin safety was being researched.

Registrants who appealed EPA decisions to cancel registrations were allowed to continue until the appeals were resolved. GAO recommended, and EPA agreed, that the pesticides be marketed only for the specific uses that were appealed.

Also, EPA had not consistently applied its policy of requesting manufacturers to recall hazardous pesticides whose registrations were suspended. EPA stated that recalling some pesticides would be more hazardous than using them according to label directions. GAO believed that recall would create no hazards other than those encountered in distributing the pesticides and would insure proper disposal.

UPDATE

EPA has not resolved the question of dioxin safety and as a result, pesticides contaminated with this dangerous chemical may still be on the market. In February 1976, EPA placed 2, 4, 5-T and other related compounds which may contain dioxin on the "rebuttable presumption against registration" list. Inclusion on this list means that these pesticides will be subjected to intensive scientific review and public comment before EPA reregisters the pesticides. An EPA official told GAO that presumption against registration of these pesticides would be issued on April 15, 1977.

EPA has not changed its position on recalling suspended pesticides. EPA maintains that it could be more hazardous to dispose of a recalled pesticide accumulated at one location than to dispose of it through normal usage.

A-20. Pesticides: Actions Needed to Protect the Consumer  
from Defective Products (B-133192, May 23, 1974)

SUMMARY

There has been widespread concern about the effects of pesticides on man and his environment. These pesticides include insecticides, herbicides, rodenticides, fungicides, disinfectants, sanitizers, and plant regulators.

Because of this concern, GAO evaluated EPA's policies and practices for determining whether pesticides were being marketed in compliance with the basic pesticide consumer protection law--the Federal Insecticide, Fungicide, and Rodenticide Act.

The act required that all pesticides shipped interstate be safe and effective and be registered with EPA before being sold to the public.

The Federal Environmental Pesticide Control Act of 1972 (FEPCA) amended that law to require that all pesticides--not just those shipped interstate--be registered with EPA. All provisions of this act must be effective by October 21, 1976.

GAO found that the consumer has not been adequately protected from defective pesticides because of inadequate EPA efforts to determine whether registered pesticides were marketed in accordance with provisions of the act.

GAO recommended that the Administrator, EPA,

- devise a more effective sampling program to insure adequate coverage of pesticides being marketed;
- expand the import market surveillance program and establish procedures to insure that samples of imported pesticides were collected and tested promptly;
- initiate measures to obtain the additional personnel, space, and equipment necessary for conducting a sufficiently broad and thorough testing program;
- take steps to determine the effective life of decomposable pesticides;

- require that expiration dates be included on labels of decomposable pesticides;
- establish procedures for testing, before registration, disinfectants, rodenticides, and any other pesticide categories which EPA has found in its market surveillance program to have a high rate of biological defects;
- request manufacturers to recall production lots from which EPA had collected ineffective samples;
- establish procedures for notifying manufacturers of all deficiencies found in samples of their pesticides; and
- enter into cooperative agreements with the States to better use their resources in carrying out EPA's market surveillance program and to help the States obtain the necessary expertise; particular consideration should be given to having the States (1) collect pesticides samples from the channels of trade, (2) monitor the use of pesticides, and (3) test pesticides for safety and effectiveness.

We further recommended that the Secretary of Treasury take prompt action to prescribe the import regulations required by section 17(e) of FEPCA.

#### UPDATE

EPA has implemented GAO's recommendations with one exception. EPA still does not have a random program for sampling pesticide products in the channels of trade. An EPA official told us pesticides are randomly selected for sampling by computer, however, the products will really be sampled only if (1) the pesticides have not been recently sampled and (2) the EPA region in which the pesticide manufacturers are located has selected that manufacturer for an establishment inspection during the year. EPA officials have said that they are satisfied with the sampling program.

In accordance with GAO's recommendation, the Secretary of the Treasury on August 1, 1975, issued final regulations governing imported pesticides.



A-21. Questions on the Safety of the Pesticide Maleic Hydrazide Used on Potatoes and Other Crops Have Not Been Answered (Red-75-276, Oct. 23, 1974)

SUMMARY

Congresswoman Julia Hansen, requested that GAO provide information on the Federal Government's procedures for testing pesticides, specifically maleic hydrazide (MH).

GAO found that the MH formulation registered for use on potatoes and onions contained diethanolamine. It is possible that both diethanolamine and MH may metabolize (change by chemical process) in the plant into compounds that may pose a health risk to consumers. An EPA official told GAO that work done to date had not completely identified MH or diethanolamine metabolites.

After reviewing the extent of testing and research on MH and after considering the views of pharmacology experts, GAO stated that it believed that the possible health effects --particularly carcinogenic (cancer-causing) and matagenic (gene altering) effects--to individuals consuming MH in food had not been adequately studied by present standards. The EPA opinion that MH was safe for human consumption appeared to be based primarily on earlier studies which indicated that the sodium (not the diethanolamine) formulation of MH was not toxic to dogs and rats over 1- and 2-years feeding programs, respectively.

GAO recommended that

--the Administrator, EPA, determine, through additional testing and research, whether MH would adversely affect human health or the environment.

--the Secretary, HEW, through the Commissioner, FDA, periodically test potatoes, potato products, and onions to make sure that established MH residue tolerances are not being exceeded.

When residue tolerances are exceeded, action should be taken to remove these products from the market.

UPDATE

In December 1976 EPA placed MH on its "rebuttable presumption against registration" list on the basis of two

studies identified in the GAO report that MH causes gene mutations in insects. An EPA official told GAO that a decision would probably be made early in March 1977 regarding whether there are sufficient grounds for EPA to presume against registration of MH. If this decision is made, the manufacturers will be required to conduct additional toxicology studies to resolve the safety questions raised and to prove the safety of MH for registered uses; if the manufacturer is unable to provide convincing evidence of safety, the MH registrations would lapse.

HEW has taken no action on GAO's recommendation to periodically test potatoes, potato products, and onions for MH residues. No MH residue analyses have been made on these products in the more than 20-year period that MH has been used.

A-22. The Environmental Protection Agency Needs to Determine Whether an Accreditation or Inspection Program is Necessary to Insure that Non-government Laboratories Provide Accurate, Reliable, and Objective Safety and Efficacy Data on Pesticides (RED-76-63, Jan. 26, 1976)

SUMMARY

At the request of the Administrator, EPA, GAO reviewed EPA's basis for determining whether safety and efficacy data submitted by pesticide registrants was complete, accurate, and reliable for registering pesticides and establishing tolerances (the maximum pesticide residues allowed in food).

GAO found that EPA relied on safety and efficacy studies by non-governmental laboratories as the basis for registering pesticides. EPA had no program to inspect, license, or accredit these laboratories to insure that the laboratories have appropriate facilities and equipment and qualified personnel and that proper test procedures are followed. Other Federal, State, and local agencies which used such data, some of which are analogous to data required for pesticides, had found the accuracy and reliability of data from some laboratories to be unsatisfactory and consequently have their own inspection or accreditation programs.

FDA and The Center for Disease Control had inspection/ accreditation programs for drug registration and clinical testing, respectively. It appears that poor tests in these areas would be more readily identified than poor pesticide tests. Adverse drug reactions or incorrect specimen analyses would be readily attributable to the laboratory and should have an immediate economic impact on the laboratory because the drug company or doctor would not use such laboratories further. Nevertheless the data generated from these laboratories had not been adequate, and inspection and licensing programs had been implemented.

GAO recommended that EPA determine whether an accreditation or inspection program was necessary to insure that accurate, reliable, and objective safety and efficacy data was being provided by non-governmental laboratories.

GAO also recommended that EPA not accept studies containing laboratory disclaimers and consider requiring the laboratory to make a chemical analysis of the product being tested.

UPDATE

Since GAO's report was issued EPA found that a pesticide manufacturer withheld data indicating that two pesticides, chlordane and heptachlor, may be carcinogenic. This case has been referred to the Justice Department with the recommendation that the manufacturer be prosecuted.

EPA has contracted with FDA to conduct a 3-month pilot program involving the auditing of toxicology reports beginning in December 1976. GAO believes this is partly a result of its report. There are some indications that some laboratories are reluctant to permit such inspections and/or to comply with an accreditation requirement. EPA has acknowledged that it does not have specific legislative authority to require inspections or accreditation.

## B. DISASTER ASSISTANCE

B-1. Alleviating Agricultural Producers' Crop Losses:  
What Should the Federal Role Be? (RED-76-91, May  
4, 1976)

### SUMMARY

Two Agriculture programs--Federal Crop Insurance Corporation's (FCIC) insurance program and Commodity Credit Corporation's direct-payment program--offer agricultural producers some protection against loss of income when crops are damaged or destroyed by natural disasters or other uncontrollable hazards.

Legislation was proposed in the 94th Congress to expand the insurance program and repeal the payment program. This would shift most of the disaster protection cost from the taxpayers to the primary beneficiaries--the producers. The Department of Agriculture estimated this would save the Government \$259 million annually.

GAO believed the proposed legislation had considerable merit but recognized that various options can be considered in deciding on the Federal role in agricultural disaster protection.

This report was intended to provide the Congress with information which it could consider in evaluating the various alternatives for protecting agricultural producers from serious losses caused by natural disasters or other conditions beyond their control.

GAO suggested that, should the Commodity Credit Corporation program be retained, the Congress might wish to reconsider the program's authorizing legislation in light of the inconsistencies in program coverage, eligibility requirements, payment rates, and yield definitions.

GAO also suggested that if the proposed legislation were enacted, the Congress might wish to authorize FCIC to develop and implement a sound plan for providing insurance coverage in situations where uncontrollable conditions prevent producers from planting their crops, and that the Congress might wish to authorize lower than full-cost premium rates limited to those cases in which producers might otherwise have to pay prohibitively high rates.

In any event, GAO recommended that the Congress consider adopting those portions of the Department's proposed legislation which would (1) make it easier for FCIC to start a reinsurance program, (2) revise the way in which FCIC administrative and operating activities are funded, and (3) otherwise bring FCIC's law up to date.

#### UPDATE

Three bills, H.R.15216, H.R.15702, and S.3778 were introduced in the 94th Congress, but no further action was taken. These bills would have provided for increased benefits with regard to disaster relief for any farmer who planted wheat, feed grain, cotton, or rice in excess of his or her allotment for the commodity.

### C. GRAIN RESERVES

C-1. Information Concerning the Reports of a Possible Wheat Shortage (RED-74-252, July 30, 1974)

#### SUMMARY

On January 29, 1974, Congressman Charles A. Vanik, asked GAO for information on reports of a possible wheat shortage. On February 19 GAO gave the congressman's office preliminary data on the areas of concern.

The report expanded and updated the data relating to the areas of

- supply and demand situation as of February 15, 1974,
- GAO's view on exports,
- impact of weather and floods on supply,
- wheat imports,
- wheat production,
- disaster reserves,
- reporting wheat export sales,
- the concept of truthful reporting, and
- confidentiality of exporting reports.

In reference to GAO's views on exports, it was recommended that, to provide an adequate basis for weekly evaluation of foreign demand for wheat, the exports report disclose (1) the contingent nature of sales with unknown destinations and (2) significant changes in previously reported sales. GAO also recommended that the report show cumulative exports of wheat by type.

#### UPDATE

By letter dated November 26, 1974, the Department of Agriculture stated that, effective October 7, 1974, actions had been taken to carry out GAO's recommendations.

C-2. Grain Reserves: A Potential U.S. Food Policy Tool  
(OSP-76-16, Mar. 26, 1976)

SUMMARY

GAO's report to Senator McGovern, Chairman, Select Committee on Nutrition and Human Needs, described the events which have resulted in general uncertainty and concern over how to handle either agricultural shortages or surpluses. It provided summary information on using food reserves as a buffer against major fluctuations in supply and demand.

The United States cannot be certain that adverse weather shocks, similar to those in 1973 and 1974, will not occur in the future. Such shocks would tax existing food supplies and the United States would be faced with making decisions on domestic price increases and allocations of food abroad. Rather than face these future decisions in a crisis, a grain reserve that was built during years of plenty could be made available during lean years.

Because a food reserve would be a physical source of food, GAO recommended that the Congress give serious attention to the reserve system as part of a package to meet U.S. food policy objectives.

UPDATE

Since the issuance of this report, meetings have been held and papers written which address the grain reserve issue, but an actual grain reserve program has not been undertaken.



D. FOOD AID (PUBLIC LAW 480) AND FOREIGN AGRICULTURAL DEVELOPMENT

D-1. Increasing World Food Supplies--Crises and Challenge  
(ID-75-4, Sept. 6, 1974)

SUMMARY

This report examined the ways to maintain food production and supplies and to seek means by which all nations can better combat the threat of hunger and malnutrition.

There has been much concern about whether a continuous rapid rate of population increase can be matched by a corresponding rate of increase in food production.

These concerns were dramatized by the 1972 food production decline which resulted in dramatic price increases, depleted food reserves, and decreased food aid programs.

There are many views on the significance of the current food problem. One of the common views is that the developing countries must take concerted action to control population growth and to increase food production to feed their rapidly increasing population.

UPDATE

The world food crisis prompted worldwide concern and reactions. Primarily at the urging of the United States, the World Food Conference was convened in Rome in 1974 as an international forum to discuss the food supply crisis and explore solutions.

Upon the recommendation of the Conference, the United Nations General Assembly established the World Food Council to serve as a coordinating mechanism for policies concerning food production, nutrition, food security, food trade, and food aid by all the agencies of the United Nations system.

The Department of Agriculture is reassessing its market development programs and making adjustments as marketing conditions change. The Department told us that as objectives are achieved or as cooperating groups gain the required finances and technical expertise, it is withdrawing its financial support and diverting funds to higher priority activities.

D-2. Overseas Food Donation Program--Its Constraints and Problems (ID-75-48, Apr. 21, 1975)

SUMMARY

GAO reviewed the U.S. overseas food donation program authorized under title II of the Agricultural Trade Development and Assistance Act (Public Law 480) to determine the

--manner in which agricultural commodities are made available for the program and

--effectiveness of procurement practices being used to acquire the commodities.

The existing legislation stipulates that no commodity will be available for Public Law 480 programs if its disposition would reduce the available supply below that needed to meet domestic requirements, adequate carryover, and anticipated dollar exports.

Because of commodity shortages in recent years, the Department of Agriculture has been faced with the dilemma of how to comply with its legal obligations while satisfying commodity demands for Public Law 480 programs.

GAO concluded that uncertainties over commodity availability for Public Law 480 programs and the need to free the donations program from these constraints were issues which should be resolved by the Congress.

UPDATE

A provision was included in the International Development and Food Assistance Act of 1975 stipulating that a minimum of 1.3 million tons of the amounts available for use under the Public Law 480 program be distributed under title II of Public Law 480 each fiscal year, with a minimum of 1 million tons of this to be distributed through nonprofit voluntary agencies and the world food program.

D-3. Disincentives to Agricultural Production in Developing Countries (ID-76-2, Nov. 26, 1975)

SUMMARY

Government policies and institutional factors acting as disincentives have hindered developing countries in expanding their agricultural production.

Developing countries neither produce nor have the foreign exchange to buy adequate food to feed their rapidly increasing populations. Aside from the long-term solutions of curbing population growth, the best way for these countries to alleviate the problems is to realize their production potential.

There are complex problems involved in realizing that potential--many, such as inadequate storage, transportation, and communication systems, relate to the countries' stage of economic development. However, in addition to these general developmental problems common to developing countries, certain governmental policies and institutional factors either limit economic incentives or are disincentives to farmers increasing their output. These policies and factors can be changed if the governments have the political will to do so.

GAO recommended that U.S. Government agencies providing food and agricultural assistance should give maximum consideration to the adequacy of the recipient country's self-help measures and work for concerted action among all countries and institutions to induce recipients to remove the disincentives and adopt a positive strategy providing adequate incentives to farm production.

UPDATE

Amendments to Public Law 480 enacted in the International Development and Food Assistance Act of 1975, Public Law 94-161, require that greater emphasis be placed on the development uses of food aid and that, in allocating title I commodities, the efforts of recipients to increase domestic agricultural production, especially through small farm agriculture, to improve distribution of food commodities and to reduce their rate of population growth must be taken into consideration.

The International Development and Food Assistance Act of 1975 also limited to 25 percent the volume of U.S.

concessional food aid which can be allocated to nations other than those having an annual per capita gross national product of \$300 or less, as determined by the most recent annual report of the World Bank, unless significantly changed circumstances cause reallocations to be required. The act requires that a minimum of 1.3 million tons of agricultural commodities be distributed under title II of Public Law 480 each year, with a minimum of 1 million tons of this to be distributed through nonprofit voluntary agencies and the world food program.

The agencies concerned with providing concessional food assistance recognize the potential effect on production. They concur with GAO's recommendations that increased emphasis should be placed upon the use of food assistance to promote agricultural development in recipient countries, consistent with the multipurpose nature of Public Law 480.

The Agency for International Development (AID) has issued instructions revising the recommendation and approval process of Public Law 480 assistance to better insure the developmental application of food aids.

D-4. Need for an International Disaster Relief Agency  
(ID-76-15, May 5, 1976)

SUMMARY

In the absence of an effective mechanism to coordinate and control the international response to the Sahel disaster, each donor independently planned, programmed, and implemented its relief operations with little overall coordination. As a result, serious problems developed, and the tremendous resources made available by the world community were not used as effectively as they might have been.

The world community urgently needs to begin to build and support an international disaster relief agency that would ultimately be capable of mounting and carrying out an integrated response to future disasters.

As a step in that direction, GAO recommended that the Secretary of State lead the United Nations in:

- Encouraging all members of governments to pledge to build on the United Nations Disaster Relief Office (UNDRO) and strengthen its relief coordination capabilities.
- Developing disaster response contingency plans and developing agreement with United Nations agencies that specify the role and responsibilities of each agency as well as the amounts and types of resources they can make available in disasters.
- Urging potential donor nations to articulate a disaster response policy and to enter into advance understanding with UNDRO about the kinds of resources they will make available under its coordination.

UPDATE

The Department of State and AID share GAO's view that there is a need for improved effectiveness of international disaster relief efforts. The United States has taken the initiative to help UNDRO through critical self-examination and overall review by donors, improving its abilities in the overall field of disaster relief.

In May and June of 1976, the United States met with other UNDRO donors to focus on UNDRO's problems and priorities. At that meeting the U.S. representatives expressed many of the views contained in GAO's report, including the need for improved UNDRO management, greater UNDRO coordination, and the need for UNDRO to prioritize its activities.

The Department of State and AID intend to continue working with other donor nations to improve predisaster planning.

D-5. U.S. Assistance for the Economic Development of the Republic of Korea (B-165264, July 12, 1973)

SUMMARY

During fiscal years 1968-72, direct U.S. bilateral economic assistance to Korea totaled \$1,194 million and direct military assistance totaled \$2,635 million. Korea benefited also from the substantial U.S. expenditures made to support U.S. military forces in Korea and from additional sums received for sending its troops to Vietnam.

GAO concluded that, although U.S. assistance had stimulated Korea's economic expansion, it also may have inadvertently contributed to Korea's economic problems. For example, U.S. concessional aid has helped to make it possible for Korea to get large amounts of nonconcessional credit which has caused Korea's external debt situation to worsen. In addition, subsidization of food and fiber programs has built up Korean demand for imported products, thus adding to its trade gap.

GAO recommended that the Congress inquire into (1) the Department of State's and AID's plans for terminating the development loan program for Korea and (2) reasons for the increased Public Law 480 program in Korea and uses to which the sales proceeds are being used.

UPDATE

The level of Public Law 480 food aid to Korea was discussed during hearings held by the House Committee on International Relations dealing with the International Development and Food Assistance Act. Also discussed were questions of why food aid is being provided to Korea in light of its relatively advanced state of economic development.

These discussions were held in the context of a broad assessment of the foreign assistance aspects of Public Law 480 which resulted in legislative amendments which required the President, in furnishing food assistance under Public Law 480, to give priority consideration to those countries most seriously affected by food shortages and unable to meet immediate food requirements and which emphasized that U.S. food aid should be more directly connected with efforts of recipient countries to increase their own agricultural production.

D-6. Numerous Improvements Still Needed in Managing  
U.S. Participation in International Organizations  
(ID-74-52, July 18, 1974)

SUMMARY

International organizations and financial institutions cannot be audited by member governments. GAO, however, is responsible for responding to congressional concern that the program and projects of these organizations are effectively and efficiently carried out.

GAO's review was made to determine the extent to which our past recommendations had been implemented and to examine the Department of State's progress toward improving the effectiveness of U.S. participation in international organizations.

GAO noted that no recommendation had been fully implemented and that (1) executive branch organizations for managing participation needed improvement, (2) U.S. policies and priorities needed to be set, (3) an improved U.S. management system was needed, (4) a more effective United Nations review and evaluation was essential, and (5) the United Nations needed to employ more U.S. nationals.

To establish a workable system for a continuing overview of the U.S. recruiting effort and to improve the level of U.S. representation on the staffs of the international organizations, GAO recommended that the Secretary of State should (1) establish clear policies and measurable objectives to guide U.S. participation in international organizations, (2) improve its reporting procedures and both U.S. and United Nations evaluation processes, (3) take steps to improve U.S. procedures and practices for recruiting U.S. nationals for employment in international organizations, and (4) improve the staff resources assigned to manage U.S. participation in international organizations.

UPDATE

The Department of State generally agreed that these recommendations were appropriate. Attempts have been made to improve the programing and budgeting structure of the United Nations and the specialized agencies. Also initiatives have been to establish improved review and evaluation procedures in the United Nations.



There are indications, however, that many of the problems noted in this report have not been effectively resolved.

In recognition of the need for improved U.S. participation in international organizations, the Senate Committee on Government Operations has asked GAO to update the actions taken to implement its prior recommendation dealing with the management of U.S. participation in international organizations. Accordingly, GAO is now making a comprehensive review of this matter and anticipates reporting to the Committee early in 1977.

D-7. The Agricultural Attache Role Overseas: What He Does and How He Can Be More Effective for the United States (ID-75-40, Apr. 11, 1975)

#### SUMMARY

GAO's review of agricultural attaches was prompted by the interest expressed by Members of Congress and the circumstances surrounding the large Soviet wheat purchases in 1972, the growing concern over the adequacy of information on world food supplies and demand, and the Secretary of Agriculture's emphasis on attaches as "salesmen."

This report discussed a number of improvements that the Department of Agriculture could and should make to increase the effectiveness of its foreign agricultural attaches and Agriculture's plan for improving attache services. Also, GAO recommended that the Congress consider clarifying the ground rules for Government financial assistance to private groups for overseas promotion of agricultural commodities.

#### UPDATE

The Department of Agriculture has established a new performance evaluation system for attaches. In addition, systematic program evaluations are underway to assure that both market development and information programs are operating with maximum effectiveness.

Several measures have been introduced to strengthen the training and orientation for attaches assigned abroad, including language proficiency. The Department also has prepared a plan for upgrading its foreign economic intelligence capability. It has also strengthened its information services to farmers, industry, and the U.S. public.

The Department is reassessing its market development programs and making adjustments as marketing conditions change. As objectives are achieved or as cooperating groups gain the required finances and technical expertise, the Department is withdrawing its financial support and diverting funds to higher priority activities. (

D-8. Problems in Managing U.S. Food Aid to Chad  
(ID-75-67, June 5, 1975)

SUMMARY

In response to Senator Roth's request, GAO reviewed selected problems involved in the management of U.S. emergency food aid to Chad.

The report contained information on (1) the alleged incompetence, apathy, and participation in or toleration of profiteering on the part of Chadian officials, (2) the circumstances surrounding the airlift, including the effect of the trucking monopoly, the necessity for the airlift, and the disposition of the airlifted food, and (3) how the agency determined the level of food aid which could be effectively used by Chad and steps it took to see that the food reached those in need.

The GAO review concluded that U.S. officials in Chad were not able to fully insure that the food provided was managed effectively due to a combination of factors, including (1) the Chad Government's sensitivities to what it deemed outside interference, desire to make all decisions and control all operations for food aid in Chad, and lack of a relief plan, (2) poor communications and transportation facilities, (3) Chad's vastness and primitive infrastructure, (4) problems of security, which reportedly existed on a large scale, and (5) the small U.S. presence.

Nevertheless, some steps were taken by AID officials to assist and oversee the distribution of food, including diverting food to more immediate uses, making field trips to observe actual food storage and distribution operations, and attempting to establish a Red Cross food kitchen at Mungo. AID also donated \$400,000 to help deliver relief foods in Chad. In July 1974 AID granted \$150,000 to CARE, the international relief agency, primarily to purchase and operate trucks to deliver food and medicines to areas of Chad most affected by the drought, and in November 1974, it approved another \$150,000 for this project. In August 1974 AID granted \$100,000 to the Chad Government to help defray fuel costs in the relief effort.

The report contained no recommendations.

D-9. U.S. Assistance to Pakistan Should Be Reassessed  
(ID-76-36, Feb. 6, 1976)

SUMMARY

This report discussed the problem impeding the economic development of Pakistan and efforts of the United States and Pakistan to remedy these problems.

Although various actions have been taken, problems still exist in areas of external debt, defense spending, food production, use of emergency funds, fixed cost reimbursement, and malaria control.

U.S. bilateral assistance programs should be reexamined along with consideration of other means to help Pakistan over the longer term. Possible alternatives are the increased use of multilateral assistance and achievement of coordinated commitment by developed nations to insure Pakistan a reasonable market for goods resulting from assistance to develop its resources and productivity.

Recommendations made to the Secretary of State and the Administrator, AID, were to:

- Closely monitor the Pakistan Government's progress on malaria control programs and obtain assurance of Pakistan's continued support before providing more than the \$20 million recently authorized. Moreover, consideration should be given to having programs of this nature provided on a multilateral rather than bilateral basis.
- Require additional support for the population-planning program from the Pakistan Government in conjunction with the provision of any additional U.S. funds. GAO further recommended that this program be reassessed giving full recognition to basic management problems that hamper the program and constitute an obstruction to a decline in the population growth rate.
- Satisfy themselves, before providing concessional assistance, that related self-help measures are being carried out by the Pakistan Government and that providing such assistance would not contribute to continuation of policies which discourage

increased food production. GAO further recommended that Pakistan's military expenditures be considered in light of this assessment of U.S. assistance.

- Reassess the level of assistance to Pakistan in view of the debt relief being provided and Pakistan's need to resolve basic factors contributing to continuing debt problems.

Additional recommendations made to the Administrator, AID, were to:

- Inform the Congress, as part of the annual budget justification, of the debt servicing problems and quantify the assistance value of debt relief granted.
- Make definite that plans, specifications, and fixed amounts to be reimbursed be agreed upon between AID and the benefiting country before actual work is undertaken.

#### UPDATE

In their joint statement to the Senate and House Committees on Government Operations and Appropriations on this report, the Department of State and AID generally agreed with the GAO recommendations and assured the Congress of their intentions toward compliance and implementation. Furthermore the act of 1975 should help the situation in Pakistan in that it requires AID to emphasize self-help measures to a greater extent.

D-10. Examination of Funds Appropriated for Economic and Food Aid to Indochina (ID-76-54, Apr. 16, 1976)

SUMMARY

At the request of Representative Lee Hamilton, Chairman, Special Subcommittee on Investigations, Committee on International Relations, GAO reviewed the status of fiscal year 1975 and prior funds appropriated and committed for economic and food aid to Laos, Cambodia, and Vietnam.

GAO's review disclosed that:

- As of January 16, 1976, AID had identified about \$112 million as unobligated balances from terminated Indochina programs. Of this, about \$83 million from the Indochina Postwar Reconstruction (IPR) appropriation was being held for obligation adjustments for return to the Treasury on June 30, 1976. The other \$29 million in non-IPR funds was reprogramed in AID's other assistance programs.
- The Department of Agriculture made residual Indochina title I food aid funds available for other title I programs and resold \$24.7 million worth of Indochina commodities at a loss of \$13.1 million. Additional commodities valued at \$2.7 million were donated for use in other countries.
- AID is involved in several time-consuming closeout activities, and finally disposing of commodities and settling attendant claims will probably not be completed for a long time.
- Action was taken to freeze the U.S. dollar assets of the Cambodian Exchange Support Fund under Foreign Assets Control regulations. AID also asked a New York bank to have the U.S. portion of these assets--about \$1.4 million--returned to the Treasury.
- According to the State Department, the Laos Foreign Exchange Operations Fund was being terminated and U.S. and other donor foreign exchange contributions would be completely expended by the end of March 1976.

GAO recommended that in foreign aid hearings that were scheduled for fiscal year 1977 the Congress consider:

- Having AID furnish a plan for closing out Indochina activities.
- Discussing with AID and New York banking officials how and when the U.S. share of Cambodian Exchange Support Fund assets will be retrieved and returned to the Treasury.

UPDATE

In a brief followup, GAO noted that AID is continuing to identify and deobligate funds from terminated Indochina programs and most funds so identified and deobligated have been returned to either Treasury or the Department of Defense. The completion of these actions and other close-out activities of AID in Indochina is still continuing.

D-11. Impact of U.S. Development and Food Aid on Selected Developing Countries (ID-76-53, Apr. 22, 1976)

SUMMARY

At the request of Representative Lee Hamilton, Chairman, Special Subcommittee on Investigations, Committee on International Relations, GAO made a brief study of the impact of Public Law 480 and development programs in the Philippines, India, Korea, and Chile.

GAO's report noted that:

--AID has refocused its development assistance programs to reach poor people more directly than the older form of assistance which helped people through "trickle down" aid.

--The title II, Public Law 480 food donation program was providing nutritive assistance and was reaching large numbers of poor people in the three countries with ongoing programs.

--Except for certain indirect aid, it was difficult to say that the title I, Public Law 480, concessional sales program was helping the poor.

To clarify who the most needy people are in AID-supported developing countries, it was recommended the Subcommittee have AID identify the most needy groups and how AID programs are designed to reach them. This could be accomplished by having AID missions develop a profile of the most needy.

UPDATE

GAO is not aware of any action taken on its recommendations.



D-12. Providing Economic Incentives to Farmers to Increase Food Production in Developing Countries (ID-76-34, May 13, 1976)

#### SUMMARY

This report discussed why developing nations need a comprehensive strategy emphasizing economic incentives to farmers to improve agricultural growth. It also analyzed some of the elements that such a strategy must entail.

The Republic of China (Taiwan) faced many of the problems now being faced by other developing countries-- rapid population growth, limited land resources, the need for irrigation improvements, and the demand of industrialization. In spite of these obstacles, Taiwan's strategy of insuring that individual farmers received economic rewards for increasing their farm production resulted in a steady increase in agricultural production.

The successful strategy used by Taiwan was designed to fit the special circumstances in Taiwan (such as a highly educated population, the lack of political power of the land owners, and the infrastructure set up during the Japanese occupation). What a developing country must do then, is design its own strategy to deal with the unique condition existing in that country.

GAO recommended that the United States join with other donors and assist developing nations to devise an agricultural strategy suited to their needs. Priority should be given to external aid for this purpose and to expanding indigenous institutions and building the infrastructure necessary to carry out these strategies.

#### UPDATE

The International Development and Food Assistance Act of 1975 and the new AID regulations referred to under item D-3 on page 42 will be helpful in dealing with this problem. In addition, AID agreed that providing proper economic incentives to farmers is an essential ingredient in any agricultural development program. AID has taken numerous actions to improve its planning and programming procedures to increase the impact of the resources devoted to development activities. These include efforts to influence aid recipient countries to adopt policies which recognize the need to provide proper incentives to farmers to stimulate agricultural production.

D-13. Challenge of World Population Explosion: To Slow Growth Rates While Improving Quality of Life (ID-76-68, Nov. 9, 1976)

SUMMARY

This was the first in a series of reports to the Congress on world population growth and its impact on the quality of life in developing countries. This report addressed (1) population issues on a worldwide basis, (2) interrelationships between population growth and economic and social development, (3) governmental and other opinions on population growth as a hindrance to development, and (4) population-related activities, including those funded by AID.

The worldwide population growth rate is believed to be below its peak in the early 1970s of 2 percent or higher. However, since about half the people in less developed countries are under 19, growth probably will continue into the next century. The present world population of about 4 billion is expected to double, regardless of control efforts.

Although assistance has been expanded considerably since 1965, developing countries' needs exceed available population assistance funds. Also, many countries now believe population planning and programs must be considered as an integral part of social and economic development. These countries, represented at the 1974 World Population Conference, emphasized the relationship between development and family planning programs.

GAO considers the challenge to be to slow or reduce growth rates in developing nations while improving the quality of life through social and economic development. GAO believes that the issues of population and development must be coordinated and addressed jointly (rather than separately) within the context of socioeconomic development.

Because of increased interest in the socioeconomic development viewpoint and increasing requests for limited population funds, the Congress must be assured that budgeted funds are applied to those areas that deal most effectively with current and projected population problems of the less developed countries.

The United Nations, the United States, and others in the international community are spending large amounts on population and development programs in developing countries. This

report outlines some of the population activities of these entities and shows the population situation and the context in which the developing nations view development assistance and population assistance.

GAO stated that it believed that information of this nature was vital to the Congress in considering priorities, funding levels, and foreign assistance legislation and in dealing with the issues and problems of population, food, and other matters of international significance.

The report contained no recommendations.

## E. GRAIN INSPECTION

E-1. Assessment of the National Grain Inspection System  
(RED-76-71, Feb. 12, 1976)

### SUMMARY

In a report to the Chairmen of the House Committee on Agriculture and the Subcommittee on Foreign Agricultural Policy, Senate Committee on Agriculture and Forestry, GAO said that (1) serious weaknesses existed in the national grain inspection system, (2) the Department of Agriculture as overall supervisor had not been able to insure the integrity of a system operated by a widely dispersed group of over 100 State and private agencies and trade associations, and (3) an essentially all-Federal inspection system was needed to, among other things:

- Restore integrity and confidence in the inspection system.
- Provide greater uniformity and consistency in inspection procedures and operations.
- Establish an independent system, eliminating actual and potential conflicts of interests.
- Increase foreign trade or at least reduce chances of customers choosing to buy from other sources.

GAO recommended that the Congress establish an essentially all-Federal grain inspection system incorporating sampling, grading, and weighing services and that the system be operated on a reimbursable basis. GAO recommended also that, in developing standards and procedures for the system, appropriate consideration be given by the Congress and the Secretary of Agriculture, to several matters, including:

- Prohibiting conflicts of interests and imposing appropriate penalties for violations.
- Establishing adequate controls and procedures for sampling and weighing grain.
- Integrating grain weighing in the inspection system.
- Improving grain grading accuracy and uniformity through continuing research and training.

--Establishing (1) uniform standards for recruiting, training, and supervising inspectors, (2) a rotation program, and (3) work production standards.

GAO recommended also that the Secretary of Agriculture take a number of actions aimed at improving and strengthening grain inspection and marketing, including action to improve procedures for handling complaints from foreign buyers of U.S. grain and action to intensify research and development on the official U.S. grain standards.

#### UPDATE

Public Law 94-582, enacted in October 1976, created and established the Federal Grain Inspection Service in the Department of Agriculture; provided for a Federal inspection system, with some State agency involvement, at export port locations; made grain weighing a part of the system; authorized the Service to set fees for its services; and provided for the establishment of standards and procedures which followed generally along the lines of GAO's recommendation.

Also, the Department has initiated a number of actions to implement GAO's recommendation, including improvements in handling foreign complaints and work related to the revision of the U.S. grain standards and grain inspection and weighing regulations.

## F. RURAL DEVELOPMENT

F-1. National Rural Development Efforts and the Impact of Federal Programs on a 12-County Rural Area in South Dakota (RED-75-280, Jan. 8, 1975)

### SUMMARY

GAO made this review to determine how the Rural Development Act of 1972 was being carried out and to evaluate the impact of Federal assistance on problems concerning residents of a specific rural area--South Dakota's Planning and Development District III.

District III, comprising 12 counties, with a population totaling about 97,400 in 1970 was selected by GAO in cooperation with Agriculture's Economic Research Service because its agricultural economic base, low family income, and high emigration are typical of many areas of the Northern Great Plains. Federal outlays in the 12 counties totaled about \$415 million during fiscal years 1968-72.

About 95 percent of the 223 district officials and residents GAO questioned about problems in the district identified emigration as a major problem. Other major problems identified by district residents were in the following areas.

--Economic development--nonagriculture.

--Housing.

--Health services and facilities.

--Job training.

GAO directed its review to agriculture, which was central to the districts' economy and to capital betterments--water and sewer systems, street and roads, and recreational facilities--the improvements of which were frequently cited as district goals.

GAO found that:

--Increased technical assistance and training through State and local extension services could help farm families who, despite low incomes, choose to remain on the farm. To help accomplish this, extension agents

should increase their efforts to seek out and assist low income farmers.

--Although there were barriers to the district's economic development, including limited investment capital, distance to markets, and limited raw materials, the district did have some potential for growth and advantages, including low labor costs, low business taxes, and adequate supplies of water and hydroelectric power.

--The district's physician- and dentist-to-population ratios of 1 to 1,150 and 1 to 3,360, respectively, were nearly twice the national ratios of 1 to 610 and 1 to 1,960. Existing Federal and State programs had no impact on the district's shortages of physicians and dentists. Unless a relatively new scholarship program proved successful, there was little hope of significant impact in the future.

--The district's housing supply appeared ample and the cost was generally low but about 73 percent of its housing was built before 1940 and many housing units lacked complete plumbing.

To help make the Nation's rural development effort more effective, GAO recommended that the Secretary of Agriculture

--establish quantified rural development goals for matters specified in the 1972 act, using available information, on both a national and a regional basis;

--develop a national rural development plan describing how and when established goals would be met and resources needed to meet them; and

--ascertain the desirability of having key Federal departments and agencies establish rural development offices.

In working toward the solution of the rural development problems noted in the district, the Secretary of Agriculture should:

--Encourage State and local extension agencies to (1) allocate a higher proportion of their extension efforts to seek out and assist low income farmers and (2) have extension personnel increase their efforts to seek out and assist lower income farmers.

--Arrange for Federal and State research capabilities to be made available to assist the Department of Agriculture staff in determining which businesses and industries have the greatest potential in a certain region, State, or multicounty planning districts so that they may be given high priority.

In working toward solving rural health care delivery problems, the Secretary, HEW, should initiate action, including development of necessary legislation, to establish uniform objective criteria for designating health personnel shortage areas to be used for programs designed to deploy health personnel to such areas.

The Secretaries of Housing and Urban Development and Agriculture, in cooperation with State and local officials, should work together to determine specific housing needs and the types of assistance necessary to meet them.

#### UPDATE

As of November 1976, Agriculture told GAO that efforts were still being made to implement the recommendations regarding (1) establishing quantified rural development goals, (2) having key Federal departments establish rural development offices, and (3) establishing uniform objective criteria for designating health personnel shortage areas. Agriculture planned no action regarding the remaining recommendations.



F-2. Some Problems Impeding Economic Improvement of Small-Farm Operations: What the Department of Agriculture Could Do (RED-76-2, Aug. 15, 1975)

SUMMARY

This report discussed problems impeding the economic improvement of small-farm operations and research and extension efforts of the Department of Agriculture and land-grant colleges for improving the efficiency of small-farm operations.

New and improved agricultural technology and farm management techniques developed through publicly supported research projects have greatly increased the production capabilities and have helped to keep prices of farm commodities from increasing more rapidly than they might have because of rising demand. Such research has also contributed to some loss of income and relatively lower standards of living for many small-farm operators who did not or could not effectively use the research findings.

Although Agriculture and the land-grant colleges had made some limited efforts to extend training and technical assistance to small-farm operators and had done some research applicable to the problems of small-farm operators, GAO concluded that such efforts could be greatly intensified with the objectives of creating a better life for many small-farm operators and increasing productivity of the land under their management.

To more fully achieve the potential national and individual benefits of extension and research programs aimed at encouraging and helping small-farm operators to improve their farming operations, GAO recommended that the Secretary of Agriculture:

- Identify small-farm operators in their productive years who depend on the farm as their primary source of income and categorize them according to their resources, abilities, educational experiences, and willingness to improve their operations by using available technology and efficient management practices.
- Estimate the costs and benefits of programs needed to extend training and technical assistance to small-farm

operators having the potential for improvement and present the information to the Congress for its consideration.

- Examine the potential for research uniquely designed to improve the economic position of small-farm operators and, if such potential exists, consider the priority of such research in relation to other federally funded agricultural research.
- Establish procedures for (1) evaluating the economic and social impacts of future research that could greatly change the productivity, structure, and/or size of existing farms and (2) determining the assistance small-farm operators would need to plan for and adjust to the resulting changes.

#### UPDATE

In the 94th Congress, 2nd session, bills were introduced in both the House of Representatives and the Senate to amend section 502(c) of the Rural Development Act of 1972, along the lines of our recommendations to assist small farmers in upgrading their farming operations. The Senate approved the proposed legislation; the House did not vote. The House Subcommittee on Family Farms and Rural Development did, however, hold hearings on June 10, 1976.

F-3. Regulations for the Rural Development Research and Extension Programs Authorized by Title V of the Rural Development Act of 1972 (B-114873, May 8, 1974)

SUMMARY

At the request of the Subcommittees on Rural Development and on Agriculture Credit and Rural Electrification, Senate Committee on Agriculture and Forestry, GAO reviewed the Department of Agriculture's regulations for the rural development research and extension program authorized by title V of the Rural Development Act of 1972.

GAO found that Agriculture's State program regulations did not describe in the same details as the act the types of State research and extension programs and the eligible recipients these programs were intended to benefit.

Inadequate descriptions of programs and recipients could have resulted in the nature and scope of the State programs being limited.

Agriculture's multi-State program regulations directed the regional programs primarily to the needs of State research and extension staffs responsible for the State title V programs, although other recipients, such as businesses, industries, and Indian tribes, also were to benefit from the title V program.

In addition, GAO found that Agriculture's regional program regulations did not specifically provide for private and publicly supported colleges and universities to participate as provided for in the 1972 act and its legislative history.

UPDATE

The report was inserted in the record of hearings by the Subcommittee on Rural Development, Senate Committee on Agriculture, on May 8, 1974, and used as a basis for questioning Agriculture. No action has been taken on the matter discussed in the report.

F-4. Review of Regulations for the Businesses and Industries and Community Facility Assistance Programs Authorized by the Rural Development Act of 1972 (B-114873, Apr. 15, 1974)

SUMMARY

This review, at the request of the Chairmen, Subcommittees on Rural Development and on Agricultural Credit and Rural Electrification, was directed to regulations issued by the Farmers Home Administration (FmHA) for implementing the business and industrial loan and grant programs and the community facility loan program authorized by the Rural Development Act of 1972.

GAO found that certain parts of FmHA's regulations for implementing these programs did not adequately reflect provisions of the authorizing legislation and its legislative intent in that they:

- Permitted loans to finance business acquisitions without requiring accompanying improvements in the economic or environmental climate.
- Required cooperatives to show that they were unable to obtain credit elsewhere before their loans would be guaranteed.
- Restricted business loans to public bodies for community facility-type projects.
- Subjected nonprofit associations and Indian tribes to interest rates in excess of 5 percent on community facility-type projects.

Also although the act authorizes the joint financing of businesses with Federal and State agencies and financial institutions, FmHA's regulations did not specify the requirements and conditions for joint financing. Nor did FmHA's regulations give veterans a preference over nonveterans for business loans as required by law.

In its report, GAO said that FmHA had agreed to revise parts of its regulations and GAO suggested that the Subcommittees insure that these revisions were made. GAO also suggested that the Subcommittees seek clarification of or request Agriculture to amend other provisions of FmHA's regulations.

## UPDATE

FmHA revised its rural business and industrial loan regulations on September 24, 1974, to (1) require business acquisitions to be accompanied by economic and environmental improvements, (2) clarify that credit-elsewhere determinations are not required for guaranteed loans to cooperatives, (3) permit public bodies to construct and equip factories for lease, (4) specify a 5-percent interest rate for nonprofit associations and Indian tribes for community facility-type projects, (5) provide further guidance on joint financing, and (6) provide for veterans' preferences. |

F-5. An Analysis of the Subcommittee's Public Opinion Survey of the Farmers Home Administration, U.S. Department of Agriculture (OPA-76-10, Dec. 9, 1975)

SUMMARY

The primary function of FmHA is to provide loans and grants aimed at the improvement and development of the rural areas of the United States.

To support its oversight function, the Senate Committee on Agriculture and Forestry wanted information on how the sampled clientele of FmHA viewed the programs and services it received. The Committee, with assistance from GAO, developed a survey questionnaire in the winter of 1974-75 aimed at obtaining such information. Contained in this paper are the survey results which cover six programs of FmHA. These programs were

- water, sewer, and solid waste;
- rural housing;
- essential community facilities;
- business, industrial, and job development;
- site preparation for business and industry; and
- farm ownership and operation.

The staff paper contained no recommendations.

F-6. The President's Budget for Fiscal Year 1977 and Its Implication for Rural Development (OPA-76-42, May 5, 1976)

SUMMARY

This paper resulted from the discussions and concerns expressed at FmHA oversight hearings, conducted jointly by the Senate and House Agriculture Committees, on February 4-5, 1976. At the hearings, congressional concern was expressed regarding the President's proposed budget for fiscal year 1977 and how it would affect the goals and intent of the Rural Development Act of 1972.

Covered in this paper are general, budget-related issues concerning the Congress followed by a discussion of the proposed fiscal year 1977 budget for rural development.

The staff paper contained no recommendations.

F-7. Ways to Improve Effectiveness of Rural Business Loan Program (B-114873, May 2, 1973)

SUMMARY

The Economic Opportunity Act of 1964, as amended, authorized several special programs to combat poverty in rural areas. One of them--the Economic Opportunity Cooperative Loan Program, administered by FmHA--provided loans to cooperative associations in rural areas.

GAO reported to the Congress that many of the cooperatives had encountered problems, such as weak management and adverse market conditions, and therefore had failed to stay in business or had become delinquent in repaying their loans. Not all problems could have been foreseen but many of them could have been identified and corrected had FmHA (1) required adequate determinations of the economic soundness and feasibility of cooperative projects and (2) improved its policies and procedures for supervising and evaluating cooperatives' activities.

Although no new loans were made under the program after June 30, 1971, our findings could be helpful to FmHA in administering new rural business loan programs authorized by the Rural Development Act of 1972.

UPDATE

In line with GAO's recommendations, FmHA drafted regulations requiring feasibility studies, marketing agreements, management evaluations, detailed analyses of the adequacy of working capital, and feasibility analyses to be made by FmHA State directors. FmHA also said that it planned to (1) increase the staff to insure that it had either the experience or training necessary to implement the regulations and supervise loan activities and (2) evaluate specific program goals for loan programs implemented in fiscal year 1974.

GAO is currently in the process of reviewing the Business and Industrial Loan program authorized by the 1972 act.



## G. FOOD STAMPS

G-1. Evaluation of Efforts to Determine Nutritional Health of the U.S. Population (B-164031(3), Nov. 20, 1973)

### SUMMARY

In July 1972 HEW issued a report on the results of a comprehensive survey (Ten-State Nutrition Survey) directed by the Congress in 1967 to determine the incidence and location of serious hunger and malnutrition in the United States.

The 10 States covered in the Ten-State Nutrition Survey were California, Kentucky, Louisiana, Massachusetts, Michigan, New York (with a separate survey for New York City), South Carolina, Texas, Washinton, and West Virginia.

Because this was the first comprehensive nutrition survey in the United States, GAO examined its statistical design and how it was carried out to determine whether its results would satisfy the congressional requirement.

GAO concluded that the survey results should not be considered representative of the nutritional status of members of low-income households. The survey sample was not designed to represent the total low-income population within the States, because the method of selecting the sample enumeration districts restricted the target population to 25 percent of each State's population that lived in the poorest enumeration districts.

After the Ten-State Nutrition Survey began, HEW developed the Health and Nutrition Examination Survey (HANES). This was designed to provide scientifically reliable estimates of the nutritional status of, and prevalence of malnutrition in, the population of the continental United States.

At the time of the GAO report (November 1973) the participation rate under this survey had not yet reached the level required by the sampling plan. However, the nonresponse problem was being overcome, and GAO concluded that if the participation rates continued to improve, this survey would likely provide reliable data.

UPDATE

The field work for the HANES was concluded in 1974, but the final report has not yet been issued although preliminary reports have been made available, a followup survey--HANES II--began in 1975 with expected reporting dates of between 1979 and 1981. GAO has made no further evaluation of the adequacy of the sample design.

G-2. Effectiveness of Project FIND--Helping the Elderly  
Obtain Food Assistance and Other Services  
(B-164031(3), Apr. 5, 1974)

SUMMARY

On March 23, 1972, the President announced to the Congress in his message on aging, plans for Project FIND, a major outreach campaign to enroll the elderly in Federal food assistance programs.

The program was to cover a 3-month period beginning on August 15 and continued until November 15, 1972. The program was, however, extended to February 28, 1973, and subsequently to April 30, 1973, but the final termination date of this program was not until December 31, 1973.

At the request of the Chairman, Senate Special Committee on Aging, GAO reported on Project FIND. GAO reported that an increase in enrollments for Federal food assistance programs did occur in late 1972 and early 1973; however, not all the increase could be attributed to Project FIND. In addition, the elderly identified as needing other services consisted of a very small percentage of those contacted. When such cases were identified, they were referred to the local agencies which provided such assistance.

GAO noted various Project FIND problems. Among the factors affecting the project's success were incorrect eligibility information in brochures mailed to the elderly residing in some States, limited training provided to volunteers, and a lack of effective coordination between volunteers and food assistance office staff.

Problems of this type encountered during the project could be reduced in future similar projects by (1) better advance planning, (2) establishing a reasonable time frame for completion, and (3) developing monitoring and evaluation procedures during the planning stages.

This report contained no recommendations.

G-3. Administration and Effectiveness of Family Food Programs on Selected Indian Reservations in New Mexico and South Dakota (A-51604, May 30, 1974)

SUMMARY

GAO's report to Senator George McGovern, Chairman, Senate Select Committee on Nutrition and Human Needs, covered (1) certain aspects of the food stamp program as it related to Indians on selected reservations in Sandoval County, New Mexico, and (2) the food stamp and food distribution programs as they related to Indians on the Cheyenne River, Pine Ridge, and Rosebud Reservations in South Dakota.

The Agriculture and Consumer Protection Act of 1973 provided that, by July 1, 1974, the food stamp program was to replace the food distribution program in all political subdivisions of participating States, unless such replacement could be demonstrated to be impossible or impracticable. Several bills were introduced in the Congress which would have extended the authority for the food distribution program beyond July 1, 1974, and permit Indian tribes to administer their own food stamp program.

GAO found that (1) the tribal government administration of the food stamp program, which was not authorized in the 1973 legislation, would not be any more efficient or effective than a State agency administration and (2) the Bureau of Indian Affairs and tribal governments were not carrying out some of the supervision, certification, and recordkeeping functions delegated to them.

GAO's recommendations to the Secretary of Agriculture were:

- Inform potentially eligible Indians of the benefits of the food stamp program and how it operates before removing them from the food distribution program.
- Assess the need for more and better located food stamp issuance points and the feasibility of mailing stamps to participants.
- Insure that administering agencies be adequately supervised and have appropriately trained project personnel, if the food distribution program were to continue beyond July 1, 1974.

## UPDATE

The Indian reservations were authorized by the Congress, in 1974, to continue the food distribution program until July 1977. Agency action on improving food distribution programs was put in abeyance because of civil unrest at the reservations.

G-4. Factors Contributing to the Varying Rates of  
Participation in the Food Stamp Program  
(A-51604, May 31, 1974)

SUMMARY

GAO was requested to identify, in selected States and counties, the differences in administration and operation of the food stamp program which may have contributed to the varying rates of program participation.

GAO's review covered the predominantly rural counties of Chesterfield and Kershaw in South Carolina and James City and Westmoreland in Virginia. These States and counties were selected on the basis of program participation statistics in the Select Committee's May 1973 print entitled "Hunger-1973."

GAO's report to the Chairman, Senate Select Committee on Nutrition and Human Needs, concluded that the factors which may have contributed to the varying program participation rates were (1) the difference in State management, (2) the accessibility of stamp-issuing points, and (3) the existence of local community action agencies.

The report contained no recommendations.

G-5. Processing Application for Food Stamps: How Long Does it Take? (RED-76-74, Feb. 27, 1976)

SUMMARY

GAO reviewed the processing of 3,241 completed or pending applications for food stamps in 16 projects in 7 States--California, Texas, Illinois, Ohio, Michigan, Maryland, and Indiana--to obtain information on how applications were submitted and processed in different localities, how long the processing took, why processing took as long as it did, and the results of verifying information on the application.

GAO's report to the Chairman, House Committee on Agriculture, stated that, of the completed cases reviewed, approximately a third of the applications were processed within 7 days, over half were processed within 14 days, and more than three-fourths were processed within 30 days. Applicant failure or delay in providing required documentation was the most important cause of increased processing time.

The report contained no recommendations.

G-6. Observations on the Food Stamp Program  
(RED-75-342, Feb. 28, 1975)

SUMMARY

GAO's review covered the nature and extent of information on potential and actual food stamp participants available to the Food and Nutrition Service for use in managing the program, and the implementation of the quality control system established to help insure program integrity.

The report pointed out that without data on potential and actual participation, the Service did not have an adequate basis on which to gauge and improve program coverage and outreach, and estimate and prepare for the impact that contemplated program changes would have.

Implementation of the quality control system varied from State to State. Further actions were needed to improve its effectiveness and to help insure program integrity, including assistance to States experiencing difficulties, extending coverage to households and program areas not being checked, better analysis and reporting of results to provide more meaningful information on the significance and causes of program errors, and a more critical evaluation and followup on proposed corrective actions to decrease errors.

GAO also reported that under the program's eligibility regulations, there was an inconsistency and inequity in income criteria for non-public-assistance households and for public-assistance households, and that a system of using standard deductions from participant's income, in lieu of estimating and verifying deductions, could simplify program administration, save time and money, and reduce errors.

GAO made several recommendations to the Secretary of Agriculture directed at

- obtaining and using better management data on actual and potential program participants and
- improving the program's quality control system to help insure program integrity.

It was also recommended that the Secretary, in consultation with the appropriate congressional committees and the Secretary, HEW, revise the food stamp regulations to



eliminate the inconsistencies in program income criteria to insure equitable treatment of all people who wish to participate.

#### UPDATE

The agency has taken steps to improve its data base on actual and potential food stamp program participants and has worked on improving its food stamp quality control system. Agriculture asked the Congress to amend the Food Stamp Act of 1964 to eliminate inconsistencies in the program's eligibility criteria, and the two major food stamp bills proposed in the 94th Congress would have done this. The bills also would have substituted a standard deduction for most itemized deductions and eliminated automatic eligibility for public assistance households. The Senate Committee on Agriculture and Forestry's bill--S.3136--passed in the Senate in April 1976. Neither the Senate bill nor the House Committee on Agriculture's bill--H.R.13613--were debated or voted on in the House.

G-7. Identification of Food Stamp Issues  
(OSP-76-10, Jan. 28, 1976)

SUMMARY

The purpose of this staff study was to place in perspective key issues related to important areas of debate and concern in the food stamp program. Issues discussed included

- the people it should serve,
- the administration of the program,
- its nutrition value, and
- the relationship of the program to other income security programs.

The study concluded that decisions regarding the program should flow from reasoned analysis of the program's strong and weak parts and evaluation of alternative approaches to achieving the program's basic objective of providing low-income consumers with an opportunity to receive adequate food supplies.

As part of GAO's analysis of food stamp issues, it held a food stamp workshop on July 10, 1975. A transcript of the workshop is contained in a companion GAO report entitled "GAO Food Stamp Seminar: A Transcript of the Proceedings" (OSP-76-12, Jan. 28, 1976).

The seminar was conducted to provide various expert views on the food stamp program, its purpose and its problems. As a result of the seminar and additional investigation, GAO identified the important food stamp issues discussed in detail in its staff study.

G-8. Student Participation in the Food Stamp Program  
at Six Selected Universities  
(RED-76-105, Apr. 29, 1976)

SUMMARY

GAO obtained data on the number of college students receiving food stamps as heads of households at six selected universities--Tampa, Wisconsin, North Texas State, Pennsylvania, San Francisco State, and Portland.

GAO visited food stamp project offices serving the areas where large numbers of students from the selected universities resided to determine if the students in GAO's sample were authorized to receive food stamps as heads of households.

GAO's report to the Chairman, House Committee on Agriculture, stated that the percentage of full-time students from the selected universities receiving food stamps as heads of households ranged from less than one-half of 1 percent for North Texas State to over 13 percent in San Francisco State. The report also stated that, although students receiving food stamps as heads of households might represent a relatively small percentage of the students enrolled full-time at a given university, these students could represent a large part of the local jurisdiction's food stamp caseload.

The report contained no recommendations.

G-9. Identification of Differences in Five Aspects of the Food Stamp, Aid to Families With Dependent Children, and Supplemental Security Income Programs (MWD-76-131, May 11, 1976)

SUMMARY

A GAO statement of facts, issued to the House Committee on Agriculture in April 1976 identified differences in five aspects of the food stamp, aid to families with dependent children, and supplemental security income programs.

The report contained a detailed discussion on the following aspects of these programs.

- Verification actions associated with the application process.
- Treatment of income in determining both program eligibility and the amount of benefits received.
- Treatment of certain resources in determining eligibility.
- Issues regarding eligibility redeterminations or recertification.
- Work registration requirements and statistics.

The report contained no recommendations.

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