
August 1995

Food and Agriculture Issue Area Plan

Fiscal Years 1995-96



Foreword

As the investigative arm of Congress and the nation's auditor, the General Accounting Office is charged with following the federal dollar wherever it goes. Reflecting stringent standards of objectivity and independence, GAO's audits, evaluations, and investigations promote a more efficient and cost-effective government; expose fraud, waste, abuse, and mismanagement in federal programs; help Congress target budget reductions; assess financial and information management; and alert Congress to developing trends that may have significant fiscal or budgetary consequences. In fulfilling its responsibilities, GAO performs original research and uses hundreds of databases or creates its own to compile and analyze information.

To ensure that GAO's resources are directed toward the most important issues facing Congress, each of GAO's 35 issue areas develops a strategic plan that describes its key issues and their significance; the objectives and focus of its work; and the planned major job starts. Each issue area relies heavily on input from congressional committees, agency officials, and subject-matter experts in developing its strategic plan.

The Food and Agriculture issue area reviews the activities and operations of the U.S. Department of Agriculture (USDA), which is the third largest civilian agency in the federal government with an annual budget of over \$60 billion. Because the U.S. food and agriculture sector accounts for 17 percent of the gross domestic product, 20 million jobs, and about 10 percent of the U.S. export dollar, USDA's programs not only affect the lives of all Americans, but also millions of people around the world. USDA's programs have historically provided a safety net for farmers, rural America, and millions of low-income households that depend on federal food and nutrition assistance. However, over the last 3 decades federal expenditures have grown tenfold.

GAO's food and agriculture work assists Congress in reexamining USDA's programs and determining which ones can be eliminated, streamlined, or consolidated to help reduce government expenses while continuing to provide services efficiently. The principal issues covered by the Food and Agriculture issue area are

- reducing producers' reliance on, and the costs of, federal agricultural commodity programs;
- promoting a more market-oriented agriculture sector to enhance U.S. global competitiveness;

- restructuring the food safety system to eliminate fragmentation among agencies and protect consumers from food-borne health risks;
- streamlining food and nutrition assistance programs by eliminating overlap and reducing federal costs;
- encouraging the development of more effective and efficient resource conservation and environmental protection programs;
- fostering the development of rural areas by helping to ensure that federal funds are targeted to be more responsive to rural needs;
- reducing the federal government's exposure to financial risk while continuing to provide the credit assistance needed by farmers; and
- revitalizing USDA so that it can better achieve its goals and meet the challenges of the 21st century.

In the following pages, we describe our key planned work on these issues. Because the 1995 farm bill will shape agricultural policy for the next 5 years, this current plan should be considered an interim one until the new policy structure is in place. If you have any questions or suggestions, please call me at (202) 512-5138, or one of my associates Bob Robinson or Bill Gahr at (202) 512-9801.



John W. Harman
Director
Food and Agriculture Issues

Contents

Foreword	1
Table I: Key Issues	4
Table II: Planned Major Work	8

Table I: Key Issues

Issue	Significance
Income support and commodity programs: How effectively and efficiently are U.S. agricultural commodity programs supporting greater U.S. competitiveness in world markets?	Continuing federal budget constraints and growing world market opportunities have resulted in the need to reassess the risks and rewards of federal intervention in agriculture as well as its impact on U.S. market competitiveness. Most farm assistance is provided to farmers through USDA's commodity programs. However, these programs have contributed to reducing the market orientation of U.S. agriculture by guaranteeing farmers specific prices, often higher than the market price, for program commodities.
International agricultural trade and market development: Have federal programs been effective in developing new markets and enhancing U.S. global competitiveness?	International agricultural trade, once dominated by the United States, is now highly competitive. Some countries that were once the United States' best customers have become strong competitors and high-value products have emerged as the fastest-growing component of international agricultural trade. Despite these changes, USDA's programs and policies continued to favor bulk commodities. Although the United States maintains a competitive advantage in bulk commodities, it risks the loss of opportunities in food processing and marketing. Adapting to a new post-General Agreement on Tariffs and Trade (GATT) and North American Free Trade Agreement (NAFTA) trading environment also poses major challenges for USDA.
Food safety: Are the federal government and the states effectively ensuring a safe food supply?	Although the United States has one of the safest food supplies in the world, contaminated food causes billions of dollars in losses and about 9,000 deaths every year. As a result, public awareness and congressional interest in food safety and quality issues have grown over the past few years. However, the federal structure for ensuring food safety is complex, fragmented, and ill-equipped to handle this responsibility and reduce public health concerns about food safety.
Food and nutrition assistance: Can federal food and nutrition assistance be provided more effectively and economically to meet recipients' needs?	The federal government spends about \$40 billion annually on food and nutrition assistance programs that account for over 65 percent of USDA's budget. USDA's patchwork of 14 federal programs provides assistance to over 41 million Americans, and the majority of these recipients are children. Budgetary constraints; concerns about fraud, waste, and abuse in the programs; and the larger welfare reform debate have contributed to the need for congressional action in this area.

Table I: Key Issues

Objectives	Focus of work
<p>—Assist Congress in identifying approaches to help farmers adapt to a more market-oriented farm economy.</p> <p>—Recommend changes to improve the fiscal integrity of crop insurance programs and farm risk management.</p> <p>—Evaluate the efficiency and effectiveness of commodity programs' administration.</p> <p>—Evaluate existing U.S. trade and marketing activities and identify ways to improve U.S. competitiveness.</p> <p>—Identify barriers to marketability of U.S. agricultural products and ways to overcome these barriers.</p> <p>—Identify strengths and weaknesses of marketing strategies and ways to improve U.S. agriculture's market share and balance of trade.</p> <p>—Propose options for agricultural programs that enhance the competitive position of U.S. agriculture.</p>	<p>—Program changes and alternatives to move to a more market-oriented agricultural sector</p> <p>—USDA's actions to improve the fiscal integrity of crop insurance programs and farm risk management</p> <p>—Program administration issues that could reduce costs and enhance effectiveness</p> <p>—International factors that must be considered in agricultural market development</p> <p>—Ways to increase the competitive position of U.S. agriculture in the world market</p> <p>—Alternatives to improve the competitiveness of U.S. agriculture</p>
<p>—Recommend improvements to regulatory, inspection, and enforcement programs as well as food safety laws and regulations.</p> <p>—Recommend ways to achieve budgetary savings by streamlining and/or consolidating duplicate and inefficient food safety and quality programs and evaluating alternative funding mechanisms, such as user fees.</p>	<p>—The design and management of federal food safety and quality programs to make them more responsive, efficient, and economical</p> <p>—Benefits and drawbacks of proposed changes to food safety inspection programs</p>
<p>—Provide information on and analyses of the federal government's multiprogram approach for delivering food and nutrition assistance, including relationships among various programs, populations served, and measurements of program effectiveness.</p> <p>—Analyze and recommend alternative systems to better provide food and nutrition assistance.</p> <p>—Provide analyses of federal and state activities to help participants in food assistance programs become self-sufficient.</p>	<p>—Current and proposed approaches for providing food and nutrition assistance to determine more cost-effective and efficient mechanisms for delivering this assistance</p> <p>—Food assistance program mechanisms for promoting participant self-sufficiency</p>

Table I: Key Issues

Table I: Key Issues

Issue	Significance
Agriculture and the environment: How can the government promote an effective and efficient balance between agricultural production and environmental protection goals?	Productivity increases in U.S. agriculture have relied on intensive management and chemical nutrients. However, growing concern about the negative impacts of these high-yield agricultural practices on the environment requires the development of new technologies. Congress and the agricultural community are searching for the appropriate mix of technologies and policies that will result in environmentally sound agricultural practices that optimize long-term productivity and profitability.
Rural development: How can federal programs help develop and improve the economic viability of rural areas more efficiently and effectively?	The social and economic vitality of rural America deteriorated in the 1980s and continues to be affected by the decline in employment in traditional rural industries. Improving the conditions in rural America are vital to improving the economic health of the nation. However, historically the federal government's rural development programs have not been coordinated, flexible, or tailored to the individual needs of rural communities.
USDA Organization and management: How can USDA streamline its organization and management systems to better meet its missions and goals?	USDA is positioning itself to meet the challenges of the 21st century. As a result of the Department of Agriculture Reorganization Act of 1994, USDA has begun implementing the most massive reorganization in its history. Over the next 5 years, USDA estimates that it will reduce the number of agencies from 43 to 29, reduce staff by 13,000, and close over 1,200 field offices. By doing this, USDA hopes to improve services to its customers and save the taxpayer over \$4 billion. With a new farm bill and this reorganization, USDA will be in a stronger position to establish and implement U.S. farm policy for the rest of this century.
Other issue area work—farm finance: How effectively do federal farm credit programs meet farm credit needs while minimizing financial risk?	The federal government provides farm assistance through farm finance programs. These programs provide subsidies in the form of lower loan rates, write-downs, and write-offs. However, this is a high-risk area for the federal government, and billions of dollars loaned to farmers through these programs are at risk.

Table I: Key Issues

Objective

Focus of work

—Provide Congress with information on the environmental impact of existing agricultural practices and policies.
—Help Congress target limited resources devoted to mitigating the environmental impact on agricultural production.
—Evaluate strategies to respond to the environmental problems caused by agriculture while continuing to improve agricultural productivity.

—Environmental impacts of animal agriculture and crop production on water quality and wildlife habitat
—The costs and effectiveness of current programs aimed at managing the environmental impacts of agriculture
—Integrative approaches (such as whole-farm, watershed, and ecosystem management) that may better address the wide array of environmental issues facing agriculture
—The research priorities needed to support the transition to sustainable agricultural practices that improve the environment and agriculture

—Help Congress develop a long-term rural development strategy that effectively and efficiently targets federal resources towards achievable goals.

—The role of the federal government in arresting the decline of rural America and in developing rural assets
—The efficiency and effectiveness of federal efforts to improve rural America's human resources and infrastructure

—Review the implementation of the Department of Agriculture Reorganization Act of 1994.

—USDA's efforts to implement the multiyear reorganization plan and reinvention efforts, such as streamlining, National Performance Review recommendations, GPRA pilots, and other activities
—USDA's eight key ongoing pilot efforts implementing the GPRA

—Monitor and report on the federal government's implementation of the Government Performance and Results Act of 1993 (GPRA).

—Help Congress redirect USDA's farm loan programs to reduce federal financial risk from bad debt.

—The balance between the need to provide credit assistance to farmers and reduce the government's financial exposure to bad debt

—Recommend ways to strengthen USDA's internal controls over farm loans to prevent mismanagement, fraud, waste, and abuse.

—USDA's efforts to improve its management and reduce loan losses in its farm loan programs

—Save millions of dollars by proposing methods to reduce bad debts on USDA's farm loans.

Table I: Key Issues

Table II: Planned Major Work

Issue	Planned major job starts
Income support and commodity programs	<ul style="list-style-type: none">—Assess the impact of the proposed 3-percent reduction in agricultural target prices.—Review rice and cotton loan processing through cooperatives.—Review Federal Milk Marketing Orders.—Evaluate commodity, conservation, and food assistance issues relevant to the 1995 farm bill.
International agricultural trade and market development	<ul style="list-style-type: none">—Review treatment of state-trading enterprises under GATT.—Assess the impact of GATT and NAFTA on U.S. agriculture.—Evaluate new and alternative uses for agricultural products.
Food safety	<ul style="list-style-type: none">—Evaluate alternative sources of funding for food safety inspection and testing programs.—Assess effectiveness of new seafood inspection and quality control requirements.—Assess effectiveness of USDA's changes to the meat and poultry inspection system.—Review structure of new food safety regulatory system.—Assess the impact of GATT and NAFTA on the safety of the U.S. food supply.
Food and nutrition assistance	<ul style="list-style-type: none">—Evaluate alternative systems for delivering food assistance.—Review current system of disbursing food stamp coupons and assess alternative delivery methods, such as electronic fund transfers and cash payments.—Evaluate federal and state efforts to assist food stamp recipients to become self-sufficient.
Agriculture and the environment	<ul style="list-style-type: none">—Review how other countries are addressing the problem of animal waste.—Evaluate USDA's environmental research priorities and its ability to meet farmers' needs.
Rural development	<ul style="list-style-type: none">—Evaluate how efficiently rural economic development programs provide services.—Assess the impact of federal and state interagency coordination groups on the delivery of rural economic assistance.
USDA's organization and management	<ul style="list-style-type: none">—Review and analyze USDA's streamlining, reorganizing, and reinventing activities and initiatives.—Analyze USDA's programs to identify areas of potential fraud, waste, and abuse.—Evaluate items in USDA's budget that could be eliminated or reduced.—Analyze USDA's planned and ongoing computer and telecommunications systems' policies, procurement practices, and implementation efforts.
Other issue area work—farm finance	<ul style="list-style-type: none">—Assess impact of alternatives for reducing USDA's farm loan risks.—Review USDA's beginning farmer program.

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

