United States General Accounting Office

GAO

Report to Congressional Requesters

March 1987

INTERNATIONAL TRADE

Review of Effectiveness of FAS Cooperator Market Development Program

038581

GAO

United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-226269

March 17, 1987

The Honorable George Brown, Jr
Chairman, Subcommittee on Department
Operations, Research, and Foreign
Agriculture
Committee on Agriculture
House of Representatives

The Honorable Leon E. Panetta
House of Representatives

At your request, we reviewed the effectiveness of the cooperator programs implemented by the Foreign Agricultural Service of the Department of Agriculture This report contains the results of our work The nature of marketing activities inherent in the cooperator programs is such that accurate measurement of the impact of these programs on the U.S agricultural export levels is difficult if not impossible to determine. Consequently, we reached no overall conclusion as to their effectiveness but instead, recommended congressional input to clarify or reaffirm the program's goal of maintaining, developing, and expanding export markets, and means to assess individual marketing activities as a step toward more realistic and effective program evaluation

As arranged with your office, unless you publicly announce its contents earlier, we do not plan to distribute this report further until 30 days from its issue date. At that time we will send copies of this report to the Secretary of Agriculture, Administrator of the Foreign Agricultural Service, and cognizant congressional committees and subcommittees. We will also make copies available to others upon request.

for Bill W. Thurman

Frank C Conahan
Assistant Comptroller General

Executive Summary

Purpose of the Review

At the request of the Chairman, Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture, GAO reviewed the effectiveness of the Department of Agriculture's market development programs This report focuses on the "cooperator" program administered by the Foreign Agricultural Service (FAS)

Background

The Agriculture Trade Development and Assistance Act of 1954 (Public Law 480), as amended, and the Agriculture and Food Act of 1981 (Public Law 97-98), as amended, authorized market development activities and the use of federal funds to develop, maintain, or expand foreign markets for U S agricultural commodities. FAS determined that this should be accomplished through private, nonprofit agricultural organizations, known as cooperators, who should be required to share in the financial expense of the market development programs. Cooperator programs usually fall into three categories trade servicing, technical assistance, and consumer promotion. Activities and programs are geared to increasing consumer and commercial uses of U S agricultural products and developing long term markets, rather than to achieving immediate sales of agricultural products

In fiscal year 1986, cooperators expended \$39.7 million of FAS funds on the market development program Cooperators reported contributions of \$35 9 million and credited foreign third party interests with contributing \$38 8 million Cooperators conducted more than 5,573 individual market development activities in 132 countries

FAS has stated that the market development program played an important role in increasing U.S agricultural exports from \$3 billion at its inception in 1955 to approximately \$26 billion in fiscal year 1986

Results in Brief

The Congress established a broad goal for market development programs—develop and expand foreign markets for U S. agricultural commodities—and provided general program direction to FAS The Congress also gave FAS broad discretion in establishing program and financial parameters Consequently, cooperators implement numerous and varied market development activities

FAS was not critically assessing how well or what results are achieved from the cooperator program FAS planning and evaluation methodologies, including base evaluations and annual program evaluations, are insufficient to fully determine which market development activities are effective or which need to be refined or terminated

FAS guidelines encourage the cooperators to contribute annual amounts equal to or greater than the FAS funds authorized by the project agreement but do not require cooperators to contribute The FAS guidelines define cash contributions as anything provided by the cooperator Although they include some cash, they are primarily goods and services rendered through U S. headquarters offices in support of marketing activities. These cash and goods and services contributions represent the cooperator's match of FAS funds awarded in project agreements FAS funds the major share of the direct costs of the cooperators' overseas market development programs, cooperators pay for some direct overseas expenses, for example, salaries of personnel conducting the activities FAS pays for most of the cooperators' indirect overseas expenses, such as rent and utilities. FAS has no assurance that cooperator contributions adhere to FAS guidelines that they be in addition to activities the cooperators would have conducted without the FAS funded market development programs and that they relate to an FAS-approved activity

GAO Analysis

Public Law 480 and amendments to this law emphasized the importance of developing and expanding foreign agricultural markets The legislative history contains no specific guidance as to how this goal was to be achieved. FAS made administrative and financial determinations as to program implementation but placed few restrictions on the total funding a cooperator can receive for a specific program FAS did not define how long a cooperator can receive funding for the program or what constitutes a successful program

FAS planning and evaluation strategies, including the benefit-cost ratios calculated by cooperators and intended by FAS to help measure program effectiveness, use assumptions which assume away information on differences in markets FAS has conducted just 19 annual evaluations, a small number considering that it funds over 1,200 country programs each year Further, some annual evaluations misstated the results and offered more optimistic program outcomes than were warranted.

GAO analyzed the market development plans, end-of-year reports, and income statements of various cooperators and found that, for the most part, cooperator contributions to the program are primarily goods and services contributions rather than cash contributions as categorized by

FAS guidelines Cooperators state that these goods and services contributions represent cash expenditures in support of approved marketing activities. FAS officials said that they do not scrutinize cooperator contributions carefully and have little assurance that they are accurately reported. Thus, GAO believes that the FAS data indicating that there is about a one-third sharing of program costs among FAS, cooperators, and foreign third parties, conveys the impression that cooperators are financing the program more fully than actually occurs. FAS is paying the majority of the direct and overseas costs of the program.

Recommendations

GAO recommended that the Secretary of Agriculture direct the Administrator of FAS to take the following actions.

- Clarify cooperator program goals and establish standards or limits on total funding levels per program and time frames for individual program funding
- Continue efforts to measure program results including the measurement of short term performance against program objectives
- Revise FAS guidelines to define all program contributions in terms of source, rather than in terms of cash, goods and services, and foreign third party contributions

We also recommended that the Secretary direct FAS to determine the extent to which the program is receiving improper, inflated, or misleading reports on cooperator contributions and, if significant, to use its various reviews to enforce compliance with FAS criteria

Views of Agency Officials and GAO Evaluation

GAO did not obtain agency comments on this report It was reviewed by FAS officials who stated that, for the most part, they agreed with the intent of our conclusions and recommendations but disagreed with the micromanagement approach inherent in them.

FAS officials pointed out that it is more important that cooperators successfully encourage financial support of farm/producer groups, the U S. industry, and foreign interests rather than whether they contribute cash or services The voluntary nature of the program also supports a source-oriented definition of contributions rather than a definition based on types of contributions Based on their comments, GAO revised its recommendation on the definition of cooperator contributions to recommend that FAS define all contributions based on the source rather than the type of contribution

Members of the U.S Agricultural Export Development Council (AEDC) Executive Committee, the cooperators' professional organization, stated that additional evaluation requirements would tax current staffing levels and possibly cost more than the market development programs to be evaluated. GAO's recommendation on evaluation is not intended to entail highly sophisticated and costly methodologies, but rather, envisions tracking measurable benchmarks of individual, short-term market development activities as a first step in assessing program impact.

AEDC members also stated that GAO's draft report did not adequately reflect the beneficial impact cooperator programs have had on U.S. agricultural export levels GAO's report recognized views of cooperator and FAS officials that the market development programs and activities have increased, maintained, or minimized the decline of many agricultural exports despite the difficulties encountered in assessing program effectiveness In the absence of proven evaluation methodologies, GAO encountered the same problems cited by FAS and cooperators and consequently, could make no overall conclusions as to program effectiveness

AEDC members also pointed out that foreign governments in competition with U S agricultural trade, spend far greater amounts on market development activities than does the United States government

Contents

Table

Abbreviations

FAS	Foreign Agricultural Service
GAO	General Accounting Office
OIG	Office of the Inspector General
OMB	Office of Management and Budget

Introduction

Background

The Congress, pursuant to the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended, authorized market development activities in 1953 to stimulate overseas markets for the growing surpluses of U.S. agricultural products Public Law 480 authorized the use of foreign currencies which accrue from sales of U.S. agricultural commodities to carry out programs designed to develop new export markets for U.S. agricultural products The Foreign Agricultural Service (FAS) fulfills its role as the promotional agency through a network of agricultural counselors, attaches, and trade officers stationed overseas and its team of analysts, marketing specialists, economists, commodity specialists, and others based in Washington, D.C

FAS market development objectives, pursuant to the Agriculture and Food Act of 1981, as amended (7 U.S.C 1736m), are to develop, maintain, or expand markets for U.S. agricultural commodities. Its programs for achieving this goal include the cooperator market development program, which is the focus of this report Additional market development programs include the Food for Peace Program, Commodity Credit Corporation Export Credit Guarantee programs, Export Enhancement Program, Agricultural Information and Marketing Systems, the Export Incentive Program, and the marketing and intelligence reporting activities performed by the FAS overseas staff.

FAS fiscal year 1986 budget authority totaled $79.4 million, including $46 million for foreign market development activities, $22.2 million for foreign agricultural affairs, and $11 2 million for foreign market information and access programs Of the $46 million budgeted for foreign market development activities, $34 7 million went to the cooperator program The $22.2 million for foreign agricultural affairs financed activities of FAS agricultural attaches, counselors, and trade officers assigned to about 75 U S embassies and consulates.

Cooperator Program

FAS involves private sector agricultural interests in its overseas market development activities through its cooperator program. Cooperators are nonprofit commodity groups representing producers, farmers, and farm-related interests or trade associations The cooperators conduct the actual market development activities, most of which are carried out in foreign countries, some activities, such as trade shows or production facility tours, are conducted in the United States Activities generally are not designed to make sales but to achieve long-term market access. Some cooperators also perform other functions, such as technical research, providing information to federal and state legislatures, developing domestic markets, and participating in information clearing-house activities and state industry regulation. Cooperators state that their activities benefit not only the farm community but also the interrelated agricultural production, manufacturing, transportation, and exporting segments of the U.S economy. About 53 cooperators participate in the program each year. (See app. I)

Cooperator programs normally promote either a single commodity or a group of related commodities. The cooperators provide leadership for these programs in accordance with the policies and procedures set forth in FAS guidelines

Cooperator officials in the United States and overseas keep abreast of market situations in producing and importing countries to guide them in planning marketing strategies and promotion activities The cooperator documents these strategies and activities in its annual marketing plan submitted to FAS. The plan must identify the constraints to expanding or maintaining U S exports of specific commodities in each market FAS defines a constraint as a condition in a particular country or region which needs to be addressed in order to develop, expand, or maintain U S agricultural exports Constraints include level of technology and processing capability, lack of product awareness or knowledge, and competition with substitute products or alternate supplies The plan must also describe the proposed activities and the amount of FAS and cooperator funds to be spent to overcome or mitigate the constraints for each commodity and country/market covered by the plan.

Market characteristics also influence the type of FAS/cooperator activities undertaken. Import tariffs and levies, production and export subsidies, health and sanitary regulations, building and construction codes, and other foreign government or industry regulations can act as barriers to trade and restrict the export of U.S. agricultural products

Activities are aimed at increasing both consumer and commercial uses of U S. agricultural commodities and their derivatives by overcoming constraints to exports Activities are not designed to directly sell farm goods These activities are grouped in the following categories

- Technical assistance, which addresses technical problems related to the sale, movement, processing, marketing, or use of U S agricultural products

- Trade servicing, which is designed to influence foreign traders, importers, and wholesalers (and at times retailers) as well as foreign government officials who are involved with importing, distributing, and marketing agricultural commodities and products
- Consumer promotion, which is designed to influence consumers by changing their attitudes toward or making them aware of the advantages of using U S agricultural products

In fiscal year 1985 about 40 percent of FAS and cooperator expenditures were directed toward constraints related to consumer promotion activities, with remaining expenditures about equally divided between technical assistance and trade servicing

FAS personnel in the commodity and marketing programs divisions work with cooperators in designing and implementing marketing activities. The six commodity divisions are organized along product lines, such as grain and feed, or dairy, livestock, and poultry FAS recently established the High Value Products Division to accommodate the growing emphasis on high value products

The type of commodity being promoted generally determines the type of promotion most beneficial to increasing agricultural exports Bulk commodities (wheat, oilseeds, and feed grains) are well suited to trade servicing activities such as collection and dissemination of market intelligence, technical seminars on production, use, or purchase of grains, training programs to upgrade farm technology; livestock feeding trials, and demonstrations of product uses to manufacturers, processors, and consumers.

Processed and semi-processed commodities (generally referred to as high value products), such as fruit and vegetable juices, fruit juice concentrates, canned fruits, and fresh and frozen vegetables, lend themselves to consumer-oriented promotions These promotions include direct advertising through the print and electronic media, point-of-sale promotions (distribution of T-shirts or other items), and in-store demonstrations and samplings

In fiscal year 1986, the cooperators planned more than 5,573 individual activities in 132 foreign countries Cooperators maintain offices in the United States from which they conduct overseas-based and U.S.-based market development activities. Some cooperators also maintain overseas offices

Program Funding

Public Law 480, as amended, authorized federal funds for market development activities but did not specify how they were to be accomplished The Department of Agriculture administratively determined that cooperators should have major responsibility, on a commodity-by-commodity basis, and should provide private funding to supplement the federal funds. FAS awards funds to cooperators through project agreements which describe the basic working relationship and program and financial obligations of each party FAS guidelines encourage cooperators to contribute annual amounts equal to or greater than the FAS funds authorized by the agreements. Third party cooperators—foreign governments or private organizations which have entered into foreign market development agreements with a U.S cooperator—are expected to contribute substantially to all projects in which they participate.

Cooperators and third party groups may provide either cash or goods and services which must be in addition to what would have been spent if there had been no federally funded market development program FAS has defined cash contributions as cash expenditures not reimbursed by FAS or by a third party to the cooperator. They include but are not limited to the

- value of a cooperator's time to attend meetings or "otherwise work" on foreign market development;
- actual expenditures for travel and personnel expenses of cooperator personnel attending a cooperator-sponsored conference, workshop, demonstration, or trade seminar; and
- cost of specific and directly related foreign market development activities performed in the United States.

FAS defines direct expenditures as transportation, costs of samples or displays, and advertising Reasonable costs in excess of those payable from project funds and sales and trade relations expenses are also allowable cash contributions Finally, the cost of membership in professional organizations abroad, which are not primarily socially oriented, qualifies as an acceptable cash contribution

FAS defines contributions of goods and services as those contributions made by the U S. industry for which the cooperator made no cash reimbursement; i e., contributions for which the cooperator did not pay the industry group They include but are not limited to the

- value of the time of personnel who work on foreign market development;

- value of the time of non-cooperator personnel involved in organizing or conducting cooperator sponsored conferences, trade shows, workshops, demonstrations, or trade seminars,
- value of the time of trade show team members traveling in the United States or overseas on foreign market development activities,
- indirect expenditures (such as overhead and facilities) furnished by the industry; and
- cost of foreign market development activities performed by the U.S industry.

Similar guidelines define third party contributions of cash and goods and services

FAS has determined that basic categories of expenses cannot be claimed as contributions. It does not allow capital investments, such as permanent structures, real estate, or the purchase of office equipment/furniture made by a foreign third party cooperator. Cooperators cannot claim services generated by activities for which no real expenditure of funds was made, for example, the value of free publicity generated by cooperator activities is not an eligible contribution Membership fees for social organizations, salaries and expenses for non-cooperator employees to attend social functions, and the value of audience time spent attending cooperator-sponsored activities cannot be claimed as legitimate cooperator or third party contributions.

In fiscal year 1986, cooperator program expenditures totaled $114 5 million[1] of which FAS contributed $39 7 million. Eleven cooperators had received over $1 million totaling $32 5 million or 81.9 percent of the $39 7 million. These cooperators include the American Soybean Association; U S Feed Grains Council; U S Wheat Associates, Inc.; International Institute for Cotton, Cotton Council International; Rice Council for Market Development, National Forest Products Association; U.S. Meat Export Federation, USA Poultry and Egg Export Council, National Peanut Council, and California Raisin Advisory Board (See app. I.) The remaining 42 cooperators received $7.2 million or 18 1 percent Cooperators reported contributions of $35.9 million and claimed third party contributions of $38 8 million

[1]This amount excludes the Export Incentive Program which assists private firms by underwriting a portion of the risk in introducing brand-name products to foreign markets Commodities currently being promoted under this program include fresh and processed fruits and vegetables, nuts, and honey Payments to participants are contingent on export performance, with higher payments tied to substantial increases in sales, and FAS funds never exceed 50 percent of promotional expenses

Objectives, Scope, and Methodology

Our objectives were to respond to the request by the Chairman of the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture, to assess the effectiveness of the cooperator market development program.

We interviewed FAS officials responsible for the management and oversight of the cooperator program, discussed FAS overseas operations with Agricultural counselors, attaches, and trade officers in Europe, Africa, Central and South America, and the Pacific Rim; reviewed FAS documents and files pertaining to the program, and reviewed FAS funding of the program. We also interviewed members of the Department's Inspector General staff and reviewed recent Office of the Inspector General (OIG) reports. We attended the FAS May 1986 Western Hemisphere Attache Conference in Miami and the December 1986 Europe, Africa, and the Middle East Conference in Brussels

We interviewed representatives of participating cooperators and analyzed program documents, including annual marketing plans We reviewed end-of-year reports and other financial data submitted by cooperators to FAS to analyze the amount and composition of cooperator and foreign third party contributions. We based our selection of cooperator financial reports on the availability and sufficiency of data provided by FAS and cooperators. We selected end-of-year reports for 10 cooperators who appeared to have correctly categorized costs We reviewed supporting financial documentation at four of these cooperators' offices located in the Washington, D.C area, and discussed contributions with one cooperator by phone

We attended the annual U S. Agricultural Export Development Council, the cooperators' professional organization, meetings in November 1985 and in November 1986 and discussed with several participants the cooperator program and measures of effectiveness. We also attended the Council's June 1986 Annual U S. Agricultural Export Development Council/FAS Attache Seminar

In addition, we attended hearings conducted by the National Commission on Agricultural Trade and Export Policy in Portland, Oregon, and Washington, D.C

We discussed the FAS cooperator program with officials of the Office of Management and Budget, State Department, and Central Intelligence Agency We also interviewed officials of private sector companies involved in the export of agricultural commodities. Due to the requesters' needs, sufficient time was not available to obtain official comments from the Department of Agriculture on this report. This report was reviewed by program officials and their views were appropriately considered.

Our work was conducted in accordance with generally accepted government auditing standards.

FAS Should Establish Program Implementation Criteria

Public Law 480 and its subsequent amendments stated the intent of the Congress to help develop new markets for U S. agricultural commodities on a mutually benefiting basis but provided little direction on how the goal was to be achieved. In the absence of more specific congressional direction, FAS administratively determined how the program was to develop and expand U S. export markets. Program goals varied depending on the participant Through the years, FAS and the cooperators have designed and implemented numerous programs, with few limits on how much federal funds cooperators will receive, how long they will receive funds, or what results are expected Programs were designed to gain market access for U S. commodities and to increase the market share for proven sellers. In addition, as competition increased or high U.S prices hurt sales, some programs attempted to maintain presence in declining markets. Currently, cooperators consider the program anything from a subsidy program to a financial risk-sharing venture.

The Grace Commission and the Office of Management and Budget have questioned the continuing need for the cooperator program. They believe that the program should be considered seed money to get cooperators started on market development and that cooperators should then use their own resources We believe that FAS, with congressional support, should clarify program goals and consider establishing funding or time limits for market development programs

FAS Has Considerable Program Discretion

The Congress passed Public Law 480 in 1954 to increase consumption of U S. agricultural commodities, to improve U S. foreign relations, and for other purposes The Congress cited developing and expanding export markets as one means to increase the consumption of U S. agricultural commodities It also stated that in carrying out these market development activities, nonprofit, agricultural trade associations should be used to the maximum extent practicable

At subsequent hearings on the status of U.S agriculture and in amendments to Public Law 480, the Congress continued to emphasize the importance of agricultural exports For fiscal year 1961, the Congress appropriated funds to supplement the use of funds generated from sales of U S agricultural products for market development activities. In a 1966 Committee report on the Food for Freedom Act (which amended a section of Public Law 480), the House noted the importance of market development and the role of the cooperators The report stated that the Department of Agriculture could obtain more effective market development results by using more imaginative and less restrictive activities;

for example, by combining market development programs with food donation programs

FAS Allows Variety in Program Goals

The Congress has always provided general program direction and allowed FAS to make the administrative decisions that guide implementation of the cooperator market development program These decisions reflect FAS' interpretation of congressional intent for the overall goal of the program to expand and develop export markets for U S. agricultural commodities. Following congressional endorsement (7 U S.C 1736u) to continue to use cooperators to the extent possible to carry out market development activities, FAS has allowed cooperators to design and implement programs with wide-ranging and numerous objectives, including

- demonstrating the benefits of raising animals on U.S. feed grains;
- attracting breeders of horses, cattle, and other farm stock,
- attracting consumers of high value products such as avocados and citrus fruits; and
- working with foreign governments in reducing trade barriers.

The wide variety in program design and objectives reflects FAS program philosophy to assist the cooperators in making the long-term commitment necessary to develop and maintain markets for future sales rather than concentrating efforts on immediate sales Further, maintaining, developing, and expanding markets require different strategies depending on the commodity, country, market, competition, and prices. FAS officials recognize the highly political nature of farm programs and the congressional interest in cooperator activities FAS imposes few limits on cooperator programs and funding levels but rather, encourages cooperators to implement new marketing strategies in different countries by offering additional funds for such programs. For example, in recent years, FAS has attempted to direct the cooperator efforts toward less developed countries, especially for bulk commodities, and has also put more emphasis on marketing high value products The National Renderers Association adopted this strategy by reducing marketing activities and office staffing in Europe and increasing them in the Indian subcontinent and in the Far East.

A review of FAS market development expenditures between fiscal years 1981 and 1986 also demonstrates FAS attempts to realign cooperator programs. In fiscal year 1981, FAS spent 55.4 percent of its budget in Japan and Western Europe; by fiscal year 1986, this had dropped to 41 7 percent Expenditures for Asia, Latin America, and Africa increased from 36 5 percent to 47 percent over the same time period (See app. II)

However, some cooperators continue to prefer programs with proven track records or to maintain presence in countries with hopes of regaining past sales levels Cooperators promoting bulk commodities (such as soy beans, wheat, or corn) frequently seek to maintain market presence and minimize decline of market share This is an increasingly cited goal in cooperator programs due to the lack of price competitiveness for U.S agricultural commodities and to the effects of subsidies offered by competitor countries

Cooperators promoting high value products, such as avocados, nuts, meat, or wine, often have different goals from cooperators merchandising bulk commodities High value cooperators seek to create and stimulate new demand, thereby establishing markets for their products and increasing sales and exports

Cooperator attitudes about the use of FAS funds further illustrate the uncertainty over program goals. Only a few cooperators we spoke with, bulk or high value, see the program as a means to mitigate the initial financial risks of market development efforts. Many cooperators view the FAS funds as a means to underwrite market development efforts with no time or spending limits; they do not anticipate having to maintain the markets on their own after the jointly funded program has succeeded in developing the market One cooperator stated that the FAS program is nothing short of a subsidy program for the agricultural community and that a cooperator should be able to spend the federal funds received in the manner the cooperator deems most appropriate

Long-Term, Continuing Funding for Program Questioned

Organizations within the legislative and executive branches have questioned the long-term nature of funding for most cooperators and whether that is the intended goal of the program

The Congress did not establish specific criteria or limits for funding levels, time, or performance. In 1973, however, the House Committee on Government Operations reported that FAS continued support to cooperators for promotion in developed markets did not coincide with FAS rationale for government-assisted promotion. The Committee report stated that, according to FAS, government-assisted promotion has a unique role of providing the mechanism to promote export sales. Once the mechanism is established and markets developed, further government support should not be required, the cooperator's economic self-interest should be sufficient to maintain the market. The report further stated that market maintenance is properly the function of cooperators and not of FAS, FAS should turn over continuous promotion responsibilities to the cooperators and use its funds for developing new markets elsewhere.

The Grace Commission report[1] recommended in 1983 that the cooperator program be phased out, stating that:

> "Using federal funds as 'seed money' to assist market development groups in starting their efforts, including developing other revenue sources, may well be a useful policy As these organizations have matured, however, it seems inappropriate for the funding to continue open-ended If cooperator groups are useful market development tools, their projects should more properly be funded by the private sector Industry organizations should be able to prove their usefulness over a period of eight to ten years If their members are not willing to finance them, it is not the Government's responsibility to intervene "

In our report on the Grace Commission findings, we did not agree that the program should be phased out totally but that FAS should terminate funding of cooperators in established markets and activities of established cooperators. We stated that under certain circumstances, government assistance for foreign market development activities may be appropriate In 1975, we stated that continued government support of cooperators for market maintenance, without criteria for private assumption of all costs, in effect commits the government indefinitely. We recommended that the Secretary of Agriculture establish criteria for when cooperator programs no longer warrant FAS assistance.[2]

An Office of Management and Budget (OMB) official also questioned the continuing funding nature of the cooperator program He believed that OMB would support FAS providing financial assistance to small producer groups who want to break into the development efforts with their own resources OMB would also consider providing agricultural data and technical assistance to overseas-based cooperator staff as an appropriate service

[1] President's Private Sector Survey on Cost Control (Grace Commission Report), Report on the Department of Agriculture, Spring-Fall 1983

[2] The Agricultural Attache Role Overseas What He Does and How He Can Be More Effective for the United States (GAO/ID-75-40) Apr 11, 1975

Agriculture's Office of the Inspector General (OIG) addressed the long-term funding of cooperators in its 1984 audit of FAS supervision and control of market development programs. OIG recommended that FAS establish a method to determine whether to continue cooperator programs or to redirect funds to other more effective programs.

Conclusions

Within the general direction provided by the Congress as to how FAS and cooperators are to develop and expand export markets, FAS has allowed cooperators to implement numerous, widely varying, and long-term programs. FAS has placed few restrictions on how much total funding a cooperator can receive for a specific program or how long a cooperator can receive funding for that program. FAS has not established criteria for when cooperators should be expected to finance market development efforts on their own or identified what constitutes a successful program. FAS uses funding incentives to redirect cooperator activities to coincide with recommendations made by the executive and legislative branches, rather than issuing more formal program directives

We recognize that a healthy U S agricultural community is critical to the U.S. economy and that many of the cooperator programs contribute to U S. agriculture and the economy However, these market development programs could be more beneficial and assure more effective use of federal funds if FAS clarified program goals and established ground rules for continued program participation

Recommendations

We recommend that the Secretary of Agriculture direct the Administrator of FAS to clarify the cooperator program goal of developing, maintaining, or expanding U S markets. In doing so, FAS should consider establishing limits on total funding levels and time frames for individual cooperator programs and whether the preponderance of federal funds should be devoted to market maintenance or market development activities. These decisions may vary by agricultural commodity and/or by country or region in which the market development activities are implemented In this connection, FAS should keep the appropriate congressional committees informed of, and seek their support for, FAS' progress in clarifying the program goal Congressional support for the overall program goal may help FAS focus the cooperators on more opportunities for market development or expansion, whereas funding and time limits may minimize the number of market maintenance activities.

FAS should also consider establishing a transition program whereby FAS and cooperators equally share initial market development costs and, depending on the criteria established pursuant to the first recommendation, determine if and when cooperators will assume the larger share of programs costs, and eventually assume total responsibility for specific market development activities.

Views of Agency Officials and Our Evaluation

FAS officials stated that establishing specific time and/or funding limits incorrectly assumes static market conditions and cooperator ability to undertake all market development costs after FAS funding ceases. They believe such limits would undermine the flexible and cooperative nature of the program One official stated that the intent of our recommendation to increase cooperator funding and responsibility for older programs is an FAS goal and already evident by a comparison of submitted and approved market development plans

The transition time frames discussed in our recommendations were not intended as the standard for all cooperator activities but as indicated, to be considered as a possible limit along with all the other factors affecting results of marketing efforts We recognize that funding and/or time limits will vary depending on which market, commodity, and activity are involved

FAS officials believe they have congressional support for the cooperator program goals of market maintenance, development, and expansion, the goals cited when the program started in the 1950s. We believe that active and deliberate congressional reaffirmation or clarification of program goals, along with establishment of criteria for when time and funding limits may be imposed, would give FAS greater leverage in dealing with cooperators reluctant to move into new markets or assume more financial responsibility for long-term programs

Members of the U.S. Agricultural Export Development Council (AEDC) Executive Committee reviewed a draft of this report and stated that if we recommend that FAS encourage cooperators to focus on new markets, initial returns on investments will be minimal because new markets provide a smaller return than do developed markets We could not confirm their statement on developed markets but note that our recommendation involved consideration of all factors that could influence decisions on continued funding, be they new, established, or developing markets.

An AEDC official agreed that congressional input to current program goals would be beneficial.

FAS Should Do More to Evaluate Program Effectiveness

FAS has not established criteria for the review and evaluation of cooperator market development plans and activities, despite previous recommendations by us in 1975 and USDA's Office of the Inspector General (OIG) in 1984. Instead, it relies primarily on the professional judgement and expertise of its marketing specialists and agricultural attaches to select cooperator activities for funding in lieu of evaluations. FAS officials state that the wide diversity in program objectives and variation in size and strengths of cooperator organizations prevent application of uniform or formal evaluation techniques; each activity of each cooperator must be analyzed separately

The downturn in agricultural exports has highlighted the need to establish a framework for market development evaluation In 1981, FAS developed its strategic planning process as the basis for assessing program results, allocating funds to cooperators, and evaluating the annual budget request As part of this process, FAS and cooperators have conducted base evaluations and commodity division evaluations.

Our examination of these base evaluations and commodity division evaluations identified weaknesses in scope and/or methodology. Cooperators continue to receive funding year after year without documenting program effectiveness or progress toward accomplishment of goals Other cooperators receive funding without adequately analyzing market opportunities or potential

FAS believes the strategic planning process to be the best available and most cost-effective means of evaluating cooperator programs. It acknowledges some weaknesses in the quantitative analyses, but insists that the utility and cost of more rigorous econometric evaluations must be weighed against total market development expenditures.

We recognize the methodological difficulties and market uncertainties in evaluating market development activities Macroeconomic factors, such as the value of the dollar, and pricing policies also hinder evaluation. We believe, however, that FAS and the cooperators can do more to assess program results and to determine when programs/activities should be renewed, revised, or terminated FAS and cooperators should incorporate quantifiable goals into market development plans, including intermediate goals if feasible, establish criteria for measuring and monitoring achievement of those goals, and revise plans based on results

Previous Recommendations Addressed Need for Criteria

Our 1975 report noted that FAS continued to fund the same products, markets, and cooperators without acknowledging the changed market conditions that affect market development activities. We recommended that FAS (1) establish criteria to determine when products established in a market no longer warrant FAS assistance and (2) eliminate or phase out assistance no longer appropriate. At the time, Agriculture officials agreed that government support should be withdrawn whenever feasible and said that FAS' policy was to withdraw financial support as objectives were achieved or as groups gained needed financial support and/or technical knowledge However, because market development is a long-term, continuous undertaking, they believed that it was vital to maintain product identity and representation in foreign markets even during periods of restricted supplies and high prices

In fiscal year 1984, OIG conducted an audit of FAS supervision and control of market development activities. The OIG report stated that FAS did not use tools to determine if approved market development plans were implemented. First, FAS did not require cooperators to submit progress or trip reports to document program accomplishments Second, FAS did not require cooperators to state measurable project goals but instead, required them to direct activities toward overcoming market constraints.

The OIG report recommended that evaluations of cooperator progress toward program goals be completed on all projects. The report stated that it is essential that FAS have a method to determine whether or not projects should be continued and/or the funds redirected where they will be more beneficial. Evaluations provide a tool for determining the success and/or failure of projects and whether or not market development efforts should be continued.

FAS responded to the OIG report by saying that evaluation of cooperator activities is carried out on an annual basis, with criteria for evaluation based on market constraints. Using these results, which include a prioritization process, FAS said it modified or discontinued cooperator programs as deemed appropriate.

In response to questions on how frequently programs are modified or terminated, an FAS official stated that FAS prefers to allow cooperator agreements to lapse at the end of funding periods rather than terminate agreements during the funding year This official cited the former plywood and peanut cooperators as the only examples of lapsing programs.

This official cited the cranberry cooperator as the only case in which an agreement was terminated. These cases occurred in the early 1970s.

FAS and Cooperators Question the Utility of Evaluations

FAS officials and cooperators stated that development of new markets requires a long-term commitment and that short-run analyses are inappropriate; it is difficult to measure the influence of annual activities because results accumulate over several years and continue to exert influence for an indefinite period.

FAS officials point out that program goals vary across commodities and markets. Some cooperators seek to create demand through product awareness, while others try to increase demand through identification of alternative or additional uses. Others seek to minimize losses in declining markets by maintaining a "foot in the door" with technical assistance programs. As a result, cooperators believe that there can be no standard measure of program effectiveness across cooperators because cooperator goals are so varied

FAS officials also emphasize that the program is not necessarily intended to directly make sales. Market development is geared toward promoting generic commodities and market access. As a result, it is difficult to establish a cause-effect relationship between market development and sales. Additionally, "spillover" benefits accrue to other countries producing like goods or substitutes.

FAS officials and cooperators state that the impact of macroeconomic factors and other variables are difficult to control and may seriously interfere with the program's ability to increase exports and any subsequent evaluation of those activities. Such variables include the value of the dollar, import restrictions, pricing policies of the United States and competitors, marketing strategies of competitors, political considerations, weather, natural disasters or insect infestations, and the availability and price of substitute goods

More Rigorous Evaluations May Be Too Costly

FAS has studied alternative evaluation methodologies, including Chase Econometrics' evaluations of soybean and wheat export promotion activities and an Economic Research Service, USDA, study of issues influencing the measurement of advertising and commodity promotion programs.

Chase Econometrics used an econometric computer model to represent the world soybean economy. This model, containing numerous economic variables, studied the effectiveness of the American Soybean Association's export promotion efforts. Results indicated that soybean farmers received an average return of $57.50 for each dollar invested in export promotion. By adding third party expenditures to the same model, Chase Econometrics measured the impact of market development programs on U S. wheat exports. The results indicate that the wheat farmer would realize an average return of $100 for each dollar invested

The Economic Research Service reviewed the art of evaluating advertising and promotion strategies. The review concluded that, regardless of the methodology employed, using econometric models to evaluate the effects of commodity advertising and promotion are only as reliable as the available data, which are often unavailable and costly to develop.

FAS officials concluded that such rigorous evaluation strategies are difficult to conduct and their high cost is not justifiable in light of the total FAS cooperator budget ($30 5 million in fiscal year 1986). Further, these officials stated that such sophisticated methodologies are not applicable to all types of promotional activities.

FAS and Cooperators Believe Program Is Successful

Despite difficulties in quantifying program results, FAS officials and cooperators believe that the market development programs are successful. FAS has stated that the programs played an important role in increasing U.S. agricultural exports from $3 billion at its inception in 1955 to about $26 billion in fiscal year 1986. In fiscal year 1986 House appropriation hearings, FAS identified some successful activities.

- An American Soybean Association promotion is claimed to have increased soybean oil sales 35 percent in the traditional olive oil market in Italy
- A U S. Feed Grains Council barley team visit to Japan is credited with helping to establish a new monthly record of U.S barley sales.
- The USA Poultry and Egg Export Council is credited with modifying a restrictive import requirement in Algeria.

The U S. Agricultural Export Development Council (AEDC), the cooperators' professional organization, publishes a brochure of "success stories" listing the results of most cooperators' market development efforts. Its Developing Foreign Markets in a Difficult Environment, Achievements 1985 cites a number of accomplishments including those below.

- Seed teams sponsored by the American Seed Trade Association worked with Brazil's health officials to modify phytosanitary requirements, opening a market with very large potential for U.S. seeds.
- A 1983 American Soybean Association feeding trial in Mexico resulted in a 63,000 metric ton increase in soybean demand in 1985.
- National Forest Products Association members suggested changes to U.S. Air Force housing plans amenable to British specifications, resulting in American wood products being used in a $22 million housing project.
- Venezuelan imports of U.S. sorghum increased from 137,000 to 745,000 metric tons in 1985 after a U.S. Feed Grains Council education program demonstrated the benefits of a least-cost ration formula for the use of alternative feed grains
- U.S Wheat Associates helped to preserve the U.S. share of the Taiwan wheat market by dissuading the Taiwanese government from signing an agreement which would have imported nearly 70,000 metric tons of wheat from Uruguay.

At an August 1986 meeting, AEDC's governing board noted that cooperator activities benefit not only producers but all segments of the agricultural community. Furthermore, board members noted the quasi-governmental function some cooperators serve while resolving trade problems or acquiring agricultural statistics and intelligence. Hence, they believe their role extends beyond the parameters of the market development program. An FAS official noted that cooperators do not represent the U.S government but acknowledged that some cooperators do perform activities outside the approved marketing plan because the opportunity presents itself.

Initial FAS Efforts to Determine Program Impact

FAS attempted in the 1970's to assess program effectiveness through a three tier approach. In the first tier, FAS relied on outside experts, cooperator representatives, and commodity division marketing specialists to determine whether cooperator program goals were realistic and if market development plans addressed their goals. In the second tier, FAS reviewed all marketing plans and activities to determine the appropriateness of proposed activities, of joint cooperator programs and funding, and of funding for program duration

The third tier of evaluation consisted of requesting cooperators to establish and track "benchmarks" for each activity. The benchmark could be quantitative or qualitative in nature. For example, a quantitative benchmark would be the number of attendees at an annual trade show, to be tracked over successive years. Qualitative benchmarks would include those whereby accomplishments could be tracked, such as reductions of an importing country's non-tariff barriers to U.S. imports

In the early 1980's, the increasing work demands placed on FAS staff, a professional development rotation assignment system, and increased paperwork burdens resulting from the three tier approach led FAS to drop this system. FAS then established the strategic planning process to evaluate cooperator program effectiveness

Strategic Planning Process Does Not Achieve Evaluation Goal

FAS formulated its strategic planning process in 1981 to prioritize funding for new proposals and to terminate less effective activities. The process consists of three integrated phases which occur annually on a scheduled basis

1. The projection phase assesses anticipated returns, in terms of expected exports, for programs and activities for which additional funding is requested

2. The implementation phase includes cooperator submission of annual plans of proposed market development activities. Attaches and agricultural trade officers in the targeted countries help cooperators to prepare plans by providing needed agricultural data, information on relevant farm legislation, agricultural trade problems, activities of U S. competitors, and trade leads. They also review final plans and budgets prior to submission to FAS and coordinate market development efforts among cooperator groups. Washington-based marketing specialists also review these plans, and FAS then approves the plans in part or in total and authorizes cooperators to obligate funds against approved activities.

3. The evaluation phase assesses on-going programs and activities as a basis for selecting cooperator activities and consists of base evaluations and annual commodity division evaluations. (See p. 31)

However, the primary products of this process—individual cooperator market development plans—contain minimal analysis of activities; few, if any, intermediate or long-term quantitative program goals; and no evaluation results. Rather, the plans represent the results of on-going discussions and the professional judgement of the cooperator, FAS marketing specialists, and overseas attaches as to the best means to overcome market constraints. FAS and the cooperators do conduct some evaluations, but they are limited in scope or methodology and are not readily identifiable in market development plans.

Some Cooperator Plans Are Incomplete

FAS guidelines list four types of information for each targeted country/region that cooperator market development plans should contain.

1. A brief analysis of the market situation, including overall economic situation; population, consumption, or income trends; trade policy issues; and any other details or circumstances that affect constraints addressed in that market

2. An activity plan, including identification of constraints that affect import of U S commodities, description of previous, new, or research activities designed to overcome constraints; and an administrative (overseas) cost summary

3. A calendar of events (optional).

4. A budget summary.

We reviewed the market development plans submitted by 14 cooperators during fiscal year 1985 to determine whether they adhered to these FAS guidelines All 14 plans identified constraints to U S. imports in each targeted country and included budget summaries. (We did not determine how many plans included the optional calendar of events.) However, 4 of the plans did not address any of the issues cited under the market analysis information and 8 provided only some of the data

Prior sales data, market forecasts/projections, and program goals are desirable information in market development plans. Only 2 of the 14 plans contained market projections and only 5 contained activities identifying measurable goals. For example, the National Peanut Council's plan describes approximately 30 activities but only 2 include measurable goals. To increase product awareness of peanut butter in the United Kingdom, the Council conducted advertising and public relations activities expected to increase normal sales of approximately 1,000 metric tons. To compete with substitute products, trade servicing activities were directed at processors to increase their market share from 30 to 52 percent.

The absence of such analytic data hinders FAS ability to assess the effects of market development activities—a primary purpose of the strategic planning process

Base Evaluation Data Is Flawed

In 1981, FAS first required cooperators to conduct base evaluations to help measure program effectiveness and allocate funds within each cooperator's total program. Currently, FAS requires cooperators to prepare and submit base evaluations for each country/region program every 3 years. A base evaluation assesses a country or region's projected imports with and without the existing cooperator market development program by computing a benefit-cost ratio (BCR) for each activity within a country and/or region

BCRs are based on FAS funds and cooperator costs and, as stated in FAS guidelines, are a measure of the effectiveness of the entire program and can be used to help allocate funds. BCRs are computed by dividing the difference in anticipated export values with and without promotional activities (averaged over 5 years) by the 5-year average of total program costs.

We identified a flaw in the methodology used to compute BCRs. FAS uses standardized assumptions regarding market forecasts for all cooperator activities within an industry—constant U.S. share of exports, positive trend lines for average annual exports, and stable demand for products—which distort the calculation. This approach assumes away information on differences in markets that is important in determining whether a cooperator program should be undertaken.

An FAS official stated that the BCR was designed to help each cooperator prioritize funding of activities to provide the greatest return per dollar spent. However, as we discussed, the use of standardized assumptions regarding market forecasts means that the BCRs cannot even perform this limited function

Few Commodity Division Evaluations Are Conducted

FAS stated in its guidelines on annual commodity division evaluations that the objectives are to

- determine past successes of market development activities;
- assess whether market development efforts should be continued; and
- determine appropriate activities and resources needed for further maintenance or expansion of the market.

FAS intends the evaluation to provide a "good economic analysis" of the market for the commodity. It requires macroeconomic information on commodity supply and demand, trade, cooperator program, and commodity use in the targeted market A key to the analysis is to determine what the market situation was in the target country prior to the program and how it changed during program implementation, so that factors responsible for this change and projections for the future can be identified. FAS prefers that cooperators use 10-year historical, current year, and 5-year projected data for as many variables as possible. FAS "Guidelines for Evaluations" do not establish selection criteria but cite availability of data, program age, and program results as factors to consider. Each commodity division determines which cooperator activities to review, considering program age, whether the activity is in need of management review, and/or innovative or unusual program strategies.

Both cooperator personnel and FAS commodity division staff conduct the evaluations. Until fiscal year 1986, FAS expected to conduct two evaluations per commodity division each year. However, only 16 evaluations have been completed since 1983, about one-half the number anticipated, and 3 others are still in process.

Incomplete Guidance on Methodology for Commodity Division Evaluations

FAS provided commodity division staff and cooperator personnel with limited guidance on the conduct of the evaluations, including possible techniques for quantifying only the results of technical assistance and consumer promotion activities. FAS and cooperator staff selected methodologies that they believed appropriate to the specific commodity, market, and activity. We reviewed the 16 evaluations and found their scope and methodology varied. Most evaluations addressed a cooperator's countrywide program but a few focused on a single activity within a country; some quantitatively measured program impact while others assessed a program qualitatively.

The evaluations' conclusions indicate that 13 of 16 programs were successful, one was unsuccessful, and the outcome of two could not be determined However, our analysis of the evaluation reports themselves did not always confirm the evaluations' conclusions. We found that

- 9 evaluations indicated some success in increasing demand for U.S. agricultural commodities or addressing the constraints to imports of U S. commodities.

- 2 evaluations indicated that cooperator activities increased demand for non-U S. products but only one evaluation recommended program termination
- 5 evaluations were inconclusive, we were unable to determine success or failure of the activities based on the analysis and statistics included in the evaluation report.

Some evaluation teams also occasionally made observations on the evaluation process or the variables which affect results. For example, four teams noted that some market development programs do not readily lend themselves to evaluation, because, as in one case, it is difficult to assess the benefits or effects of "technology transfer" activities.

FAS Attaches Review Cooperator Activities for Results

FAS overseas staff informally review cooperator market development activities in an attempt to determine program effectiveness For example, in Japan, the attache measures cooperator effectiveness by noting sales generated even though it takes more than a year to see how much, if at all, a product is accepted into a market The Agricultural Trade Officer in Korea stated that it is difficult to measure cooperator effectiveness by examining the increase in U S exports because many variables are involved in the process; for example, market share of bulk commodities has been declining and is expected to decline even further due largely to price, a variable outside the control of FAS and cooperator groups. Consequently, the attache believes the value of U.S. agricultural exports should not be construed as a clear reflection of market development efforts.

In Venezuela, the attache cites the implementation of approved activities and success in reducing or eliminating identified constraints as a means of assessing the effectiveness of cooperator market development efforts; for example, U S. Wheat Associates, Inc., designed a technical seminar to address a lack of understanding of U S wheat handling, grading, and shipping by Venezuelan millers. The attache and cooperator determined the effectiveness of this activity by assessing audience awareness after the seminar The Agricultural Trade Officer attempted to determine whether the millers were better informed about the wheat process or whether questions remained

FAS Task Force Is Addressing Evaluation

FAS has established a joint FAS/cooperator task force to recommend a comprehensive evaluation policy for all market development programs The task force is asking (1) which market development techniques have been most effective under various conditions and (2) what rationale should be used to allocate market development resources among countries or geographical regions and the products being promoted by FAS and cooperators?

In answering these questions, the task force is assuming that evaluation is needed and will be used as a management tool to ensure that funds are used in the most cost-effective manner. Its primary objectives are to (1) develop and recommend an agency policy for evaluating market development programs, (2) develop a framework or system for evaluating FAS and cooperator promotional efforts, and (3) examine recommended means of assessing effectiveness of promotional programs.

Following a review of these objectives, the task force formulated policy recommendations for FAS management which incorporate both qualitative and quantitative assessments of cooperator activities. The task force concluded that quantitative assessments will vary, depending on the nature of the activity and type of data available

Primary problems posed by the evaluation process included the availability and provision of personnel and funds to perform evaluations; who is to conduct the evaluations, determination of goals of evaluation (what is to be accomplished?), acceptance of the evaluation function by cooperators; and practicality of evaluation methods, given real world conditions.

FAS officials stated that additional program responsibilities generated by the 1985 Food Security Act, such as the Targeted Export Assistance program, will limit their ability to actively pursue further evaluation of cooperator activities or development of evaluation policy and procedures.

An analyst in Agriculture's Office of Budget and Program Analysis stated that his division has not conducted any evaluations of the cooperator program. Evaluations would be conducted if it is determined a need exists for such review, based on annual work plan requirements, or on an ad hoc basis.

Conclusions

Although FAS has implemented a strategic planning process which incorporates elements of evaluation into its planning and review of cooperator market development activities and programs, there are weaknesses in the plans and in FAS evaluation procedures and requirements. These weaknesses detract from the usefulness of the planning and evaluation and, in turn, from FAS decisions on future programs and funding.

We recognize that neither strict econometric evaluations nor intermediate goal achievement analyses are foolproof assessments of program/activity success or failure Many other factors, such as price, politics, and weather conditions, influence export levels and program/activity outcomes We also agree with FAS and cooperators that a standard evaluation methodology is not applicable to all market development programs However, given that FAS has not recently terminated any cooperator programs, systematic evaluations would help FAS decide on program continuation, revision, or termination.

Program evaluation should be geared to specific goals, objectives, and type and length of activity, similar to the benchmark approach of the 1970's Short-term success or failure should also be viewed in the light of long-term objectives and possible adjustments to achieve desired results With increasing demands on FAS staff generated by 1985 farm legislation, a basic procedure such as the benchmarks would increase evaluation capability with minimal cost.

Views of Agency Officials and Our Evaluation

In a draft report we recommended that the Secretary of Agriculture direct the Administrator of the Foreign Agricultural Service to revise existing guidelines to require inclusion of measurable goals, when feasible, in cooperator market development plans. Progress toward these goals should be tracked, and when appropriate, be used to adjust successive plans In response, FAS officials stated that FAS is making a sincere attempt to evaluate the cooperator programs and that the strategic planning process is the latest in a series of methods designed to assess program impact and help prioritize funds An official noted that tracking benchmarks for specific activities is useful for short-term evaluation but not for longer term program management. Another official stated that FAS has some means to measure promotional activities, sometimes at high cost, but is hard pressed to determine ways to assess trade servicing activities, such as dealing with government officials. We believe that tracking benchmarks provides short-term assessment but in combination with an assessment of other factors influencing program outcome would provide FAS with additional information to determine the future of cooperator programs or activities This system of tracking benchmarks would also generally be a less costly means to achieve the evaluation goal

AEDC officials acknowledged the value of evaluation but questioned how cooperators could measure the impact of programs designed to promote generic commodities but not achieve specific sales. Officials also questioned the cost of evaluations and who would conduct them, as evaluation requirements would tax current staffing levels and possibly cost more than the marketing activity itself The report discusses a variety of evaluation methodologies including cooperator tracking of benchmarks, as already allowed for in end-of-year reports submitted by cooperators. This approach is generally less costly than other evaluation methodologies tested to date.

AEDC officials believe that cooperators have minimized the export losses experienced by the farm sector and perhaps, exports would have been even lower without the cooperator program. They noted that foreign governments competing for sales of agricultural commodities spend far greater amounts on market development activities than does the United States.

After considering FAS' comments we have revised our recommendation

Recommendation

We recommend that the Secretary of Agriculture direct the Administrator of the Foreign Agricultural Service to continue efforts to measure program results to help determine the usefulness of activities under the cooperator programs An area where we believe efforts should be focused is the measurement of short-term performance against program objectives For example, if a program is undertaken to raise consumer awareness about a certain U.S. agricultural product, it would be appropriate to measure the change in consumer attitudes when the program is completed

Joint FAS-Cooperator Funding Goal Not Fully Realized

Although the cooperator program is promoted as a shared venture between FAS and the private sector, this philosophy is not formalized in FAS program guidelines nor evident in the type of cooperator contributions reported.

Our review of market development program funding showed that FAS pays many of the direct costs of the cooperator program expenses. The FAS definitions of contributions are misleading Cash contributions are defined to include anything provided by the cooperator, including cash and the value of cooperator personnel time spent on market development activities, an expense normally considered a service contribution FAS guidelines define goods and services contributions as personnel time and services provided by the U S. industry Furthermore, FAS reviews of cooperator contributions are insufficient to ensure adherence to criteria outlined in its guidelines concerning acceptable contributions. As a result, FAS reports that cooperators contributed $26 2 million in cash in fiscal year 1986 conveys the impression that cooperators are financing the program more fully than actually occurs For the most part, the $26.2 million represents cash expenditures for administrative services or U S. headquarters expenses provided rather than actual cash. In addition, some of the reported $9 7 million in goods and services and $38 8 million in foreign third party contributions do not meet the FAS criteria for such contributions

We agree with FAS and cooperator officials who state that cash expenditures represent for the most part valid contributions to the program Without the goods and services these cash expenditures pay for many cooperators state they would not be able to participate as fully in the program Our disagreement is with FAS' definitions of cooperator contributions.

FAS officials acknowledge the weaknesses in their accounting for cooperator contributions and stated that they have placed little importance on contributions reporting because such contributions are not required. However, if FAS seeks to share program funding with the private sector and to promote the program as a jointly funded venture, then it should develop a system to ensure that claimed contributions are in accordance with program guidance and acceptable accounting definitions If cooperators were required to assume more of the direct program costs, they might have a greater incentive to conduct more effective cooperator programs and activities

Shared Funding Concept Not Implemented

FAS and cooperators report that they and third party interests have each contributed about one-third of program costs, as defined by FAS, each year The fiscal year 1986 contributions reported as of February 1987 were 35 percent, 32 percent, and 33 percent, respectively.[1] FAS' percentage contribution has remained about the same since 1974, whereas the cooperators' share has increased and third party shares have decreased. (See app. III)

In testimony before the Subcommittee on Agriculture, Rural Development, and Related Agencies, House Committee on Appropriations, in April 1985, the Administrator of FAS emphasized the importance of the cooperator program's shared funding arrangement by stating that:

> "(W)ithout the shared funding concept, between the agricultural Cooperators and FAS, it is highly unlikely that long term markets for domestically produced agricultural commodities would be actively pursued Experience has shown that private exporters are usually geared to short term market operations, rather than long term commitments required to develop and maintain markets for future movement to foreign markets of U S produced agricultural commodities The joint efforts of FAS and the U S agricultural cooperators represent the bridge between short-run exporter objectives and long-term market development "

Despite this emphasis on shared funding, the FAS guidelines for market development programs only state that cooperators shall "endeavor to provide an annual contribution which is equal to or greater than the amount of project (FAS) funds utilized by the Cooperator under the project agreement " The guidelines are less specific on third party contributions stating "Third party Cooperators are expected to contribute substantially to all projects in which they participate," and providing no clarification as to amount However, an FAS official said that foreign third party contributions are not required and are thus considered a bonus to the program

[1] FAS guidelines require cooperators to submit end-of-year reports by January 15 of the following year These reports are to include cumulative expenditures to date (including cooperator expenditures of FAS funds and cooperator funds, and third party contributions) and estimated expenditures of all other available funds for the rest of the year FAS expects cooperators to submit final reports by September 30

FAS Guidelines on Accounting for Contributions Are Inadequate

FAS uses cooperator contribution data to demonstrate the shared nature of the market development programs and to promote the program in the appropriation process. However, FAS guidelines to cooperators on how to account for their contributions allows goods and services contributions to be presented as cash contributions. This method of reporting contributions inflates the value of cooperator support to the program and prevents FAS management from validly assessing total program costs, controlling operations, and planning for the future

FAS Definitions Are Misleading

As allowed by current FAS guidelines, reported contributions to the market development program do not accurately convey the true nature of what cooperators actually provided. FAS guidelines categorize contributions as cash, goods and services, and foreign third party. These categories, however, are based on the source of the contribution rather than on the type of asset actually provided as the title of the first two would indicate. Thus, cash contributions are contributions, be they cash or goods and services, provided by the cooperator Goods and services contributions, on the other hand, are contributions provided by the related U.S. industry regardless of the nature of the contribution. As a result, each category includes many types of assets To illustrate, cash contributions include

- actual cash expenditures made by the cooperator organization;
- the value of time of overseas cooperator personnel who work on market development activities, a direct expense; and
- the value of time of U.S -based headquarters cooperator personnel who administer the program, an indirect expense.

Use of the term "cash contribution" to categorize cooperator inputs to the market development programs conveys the impression that cooperators participate more directly in financing the activities than actually occurs. FAS does not require cooperators to contribute cash, and FAS and cooperator officials stated that, most frequently, cooperator contributions consist of indirect program expenses such as personnel, rent, and communications incurred in preparing the annual market development plans by the U.S. headquarters operations. These indirect expenses do represent cash expenditures in support of market development activities but are not accurately classified as cash The customary accounting requirement for classifying an asset as cash is that it must be acceptable as a medium of exchange and available as a source of current funds Contributions of other assets, even though they represent cash expenses, should be classified as goods and services depending on the nature of the asset. Thus, using this definition, a cooperator cash contribution would be the ready money provided by the cooperator, while contributions of time are more appropriately classified as services

A more accurate reflection of cooperator participation would be to identify the contributions by the direct and indirect cost elements which make up the total marketing activity cost, regardless of funding source. By allowing erroneous categorization of cooperator contributions, FAS reports credit cooperators with a greater share of financial participation than actually occurs.

Accurate classification of program contributions is important for identifying the actual costs of specific activities. It is also necessary to properly characterize the degree of financial participation of each party. To report contributions as cash when, in fact, indirect services are contributed, distorts the degree of risk assumed by each party. Cooperators may have less motivation to assure the effectiveness of marketing activities when they do not participate more fully in the funding of those activities

Cooperators Provide Indirect Services

Our review of program contributions showed that FAS reimburses cooperators for most of the direct program expenses incurred in conducting the activities contained in approved marketing plans while cooperators pay for indirect services incurred in the U.S. headquarters operations in support of these activities. FAS also pays for much of the administrative expenses incurred by cooperators at their overseas offices. Cooperators pay for some of the overseas personnel expenses incurred by staff who actually conduct the marketing activities.

To identify what cooperators actually contributed to the market development program, we reviewed 10 cooperator end-of-year reports, in which cooperators are required to identify contributions to specific activities. These reports frequently do not accurately identify what cooperators provide, but they are the primary documentation available to review cooperator contributions. Additionally, we visited the offices of four cooperators to review their supporting documentation for contributions and discussed contributions with one other cooperator by telephone

Five of the larger cooperators in our review reported no cash contributions (as defined by FAS guidelines) to specific marketing activities in the detail section of their end-of-year reports for fiscal year 1985. Rather, the cooperators used different methods to allocate their cash contributions (as defined by FAS guidelines) to specific marketing activities, as reflected in their worldwide summaries. Some cooperators used a percentage-based allocation, reflecting the amount of FAS funds expended for each activity For example, the American Soybean Association reported $3.9 million in cash contributions for their fiscal year 1985 market development program; ASA reported no cash contributions to specific cost codes for individual marketing activities Rather, ASA allocated a portion of the $3 9 million to each marketing activity and in the worldwide report, summarized amounts by country Senior financial officers of two organizations and senior FAS officials responsible for cooperator contribution reports, confirmed that the bulk of reported cash contributions consisted of the cooperators' U S.-based headquarters expenses.

Although not disclosed in their end-of-year reports, large cooperators did contribute to direct marketing activities but did not relate them to specific activities. For example, some cooperators included contributions to the salaries of overseas personnel in their headquarters expense; one also paid for some direct expenses, such as foreign trade team visits to the United States

Smaller cooperators (those with programs under $300,000) reported more cash contributions (as defined by FAS guidelines) to specific marketing activities in their end-of-year reports than did larger cooperators. For example, the California Avocado Commission (CAC) reported $222,229 in cash contributions for fiscal year 1985 programs; CAC reported about one-half of this amount ($115,689) to specific marketing activities. The National Hay Association reported that all fiscal year 1985 cash contributions ($5,133) were in support of specific marketing activities Their contributions frequently consisted of the time of personnel who travel abroad to conduct marketing activities. In addition, small cooperators claimed no contributions for administrative expenses. Instead, all contributions were assigned to specific marketing activities. We found that these expenses were typically reported as goods and services contributions or assigned to the costs of specific marketing activities.

FAS Pays Cooperators' Overseas Administrative Expenses

In addition to paying the expenses of specific marketing activities, FAS pays the administrative expenses of many cooperators, such as maintaining and staffing overseas offices. For two cooperators, the USA Poultry and Egg Export Council and the National Renderers Association, overseas administrative costs made up at least 50 percent of their total FAS expenditures. Table 4 1 illustrates FAS contributions to cooperators' administrative expenses

Table 4.1: FAS Contributions to Cooperator Overseas Administrative Expenses (as of Aug 20, 1986)

Cooperator	FAS contribution	Percent of total expense
U S Wheat Associates, Inc	$2,362,178	49
American Soybean Association	2,216,641	41
U S Feed Grains Council	2,052,874	42
USA Poultry & Egg Export Council	617,950	53
U S Meat Export Federation	514,099	42
Cotton Council International	411,447	25
National Renderers Association	402,590	50
National Forest Products Association	310,437	25
Rice Council for Market Development	234,181	14
National Peanut Council	116,772	14
Total	**$9,239,169**	

Source FAS

Some cooperators pay a portion of the salaries for overseas personnel, but typically FAS assumes these costs. For example, FAS paid the salaries for about 240 of 274 overseas personnel for these 10 cooperators.

FAS Reviews of Contributions Are Inadequate

Several FAS units share responsibility for reviewing cooperator contributions. The FAS Director of Compliance Review stated that the appropriate overseas attache initially receives and reviews cooperator contribution reports

The FAS Compliance Review Staff is responsible for field audits of cooperator contributions Its primary emphasis is to review the documentation that cooperators maintain to support expenditures to be reimbursed by FAS. The Director of Compliance Review stated that his office gives little attention to verifying cooperator contributions or those of the U.S. industry and foreign third parties The normal audit work includes scanning contribution reports and investigating only if something appears irregular, for example, an unusually high or extraordinary expenditure The rationale for this audit approach is that since some cooperators are creations of FAS, expenses are a result of program activities, and thus legitimate contributions Further, the Director said that there is no requirement for cooperators or anyone else to contribute to program expenses.

The FAS Export Programs Division then conducts a technical review to insure that Compliance Review findings are supported and accurate. Finally, senior FAS officials conduct a management review prior to sending the audit report to cooperators

Our review of 10 cooperators' fiscal year 1985 end-of-year reports and income statements disclosed improper, inflated, or misleading cooperator contributions that failed to meet the criteria established in FAS guidelines Our limited review did not disclose how widespread these problems are but that they do exist and FAS management attention is needed To meet FAS criteria, a claimed contribution must be

- clearly related to an activity in an approved marketing plan,
- made during the period covered by the agreement;
- documented by the cooperator,
- verifiable by audit;
- in addition to what would have been spent if there had been no foreign market development; and
- reported annually by the cooperator to FAS.

We noted the following types of problems·

- FAS guidelines require that contributions be related to FAS-approved activities One cooperator claimed expenditures of state agricultural commissions, including portions of the commissions' overhead. These commissions conduct additional marketing activities independent of FAS.
- FAS guidelines require that all contributions be in addition to that which would have been spent were there no FAS market development program. One cooperator claimed the expenses incurred by his members to participate in an overseas trade show The president of the cooperator organization stated this show is the most important event of the year for his industry. He acknowledged that many member companies would participate in this show without FAS participation, contrary to the FAS guidelines
- One cooperator appeared to inflate the contributions of his foreign partners In feeding trial programs designed to demonstrate to the local populace the beneficial effects of raising farm animals on the feed, the cooperator claimed the cost of the animals being fed as a donation to the

program along with a portion of the farm expense. Presumably, the animals benefitted from the activity and their value increased. These benefits accrued to the farmer. Consequently, their inclusion as a contribution is questionable

In some cases, it was difficult to assess the validity of cooperator contributions because market development plans state total amounts by country or series of activities and not by FAS cost codes (for example, "International Travel" or "Activities to Influence Consumers ") Two plans we reviewed usually had no cooperator contributions budgeted at all Corresponding end-of-year reports similarly did not list actual expenses by cost code but by total amount spent by country and/or activities

Foreign Third Party Contributions Are Questionable

FAS guidelines state that foreign third party cooperators are expected to contribute substantially to all projects in which they participate. These contributions must meet the same FAS criteria as other cooperator contributions in that they must be related to an FAS-approved marketing activity and be in addition to what would have been spent had there been no FAS program An FAS official stated that contributions must be from an organization that has a vested interest in increasing the agricultural imports of a commodity.

FAS considers the ability of cooperators to generate foreign third party contributions as an indication of program success because the contributions demonstrate perceived opportunities by foreign companies. Cooperators and FAS also point to foreign contributions when promoting the program. FAS does not require foreign third party contributions or routinely review their validity FAS officials believe they represent a bonus to the program

Our review of foreign third party contributions claimed by 10 cooperators showed that many of the contributions did not adhere to FAS guidelines For example, some third party contributions are provided by foreign trade organizations, which by design exist to serve the interests of their members They do not produce or sell commodities and are likely to conduct activities for their members even without the FAS program. The former Director of the Export Programs Division stated, however, that if these organizations did not cover the expenses of conducting seminars, FAS or the cooperator would have to pay them. He considers them to be a legitimate contribution, even though they do not adhere to established FAS criteria. We question whether these expenditures should be considered as contributions when these groups have no vested interest in program success.

Cooperators Do Not Adhere to FAS Cost Codes

FAS established seven principal cost codes to identify cooperator contributions to the program and the type of activity to which the contribution related For example, one cost code identifies contributions as "Activities to Influence Consumers," while another identifies "International Travel" expenses. FAS does not ensure that cooperators properly categorize their contributions. In reviewing 10 cooperators' fiscal year 1985 end-of-year reports, we found the following examples of these problems

- One cooperator assigned its U S. headquarters expenses to the international travel cost code
- One cooperator stated that all U S. headquarters expenses are assigned to cost codes based on the percent of FAS funds expended in that activity; using this methodology, the cooperator reported a $563,000 international travel contribution when actual travel and promotion expenses were $259,000
- One cooperator claimed $2,000 as an international travel contribution, including the value of the time of cooperator personnel while traveling as well as the time used to hold discussions with the Agricultural attache Some of this expense should have been more properly categorized in the "Personnel Compensation and Consultant Fees" cost code

We did not determine how widespread the problems with foreign third party contributions were, but we believe the problems warrant FAS management attention

Forward Funding

Funding for the cooperator program is provided by the Congress through annual appropriations However, since 1961 FAS has been converting the appropriation into 5-year money through a Bureau of the Budget (now the Office of Management and Budget) approved process known as forward funding.

In the process, FAS formally enters into an agreement with each cooperator to fund its market development activities in various countries. Project agreements specify the amount to be provided and the rates at which funds may be expended These agreements obligate FAS to provide funds from the current year's appropriation to cover the cooperator's market development activities. Cooperators are given 5 years to liquidate the obligation, or in other words, to spend the money. FAS officials believe that forward funding is the best means to assure program continuity and demonstrate the government's long-term commitment to market development

However, FAS advance planning requirements and the high value of the dollar (until recently) had led to a large unliquidated balance totaling $55 5 million at the end of fiscal year 1985. This amount would fund cooperator programs for almost two years. As of December 1986, the balance totaled $45 4 million, sufficient to fund cooperator programs for about the next 14 months. We believe these amounts exceeded that needed to assure program continuity and government commitment. In 1986 the value of the dollar began to drop relative to foreign currencies. As it continues to fall, cooperators will spend funds more rapidly than in the past and the unliquidated balance will decrease accordingly.

Conclusions

FAS guidelines inaccurately define cash and goods and services contributions, conveying the impression that cooperators participate more fully in financing the marketing activities than actually occurs. Cooperators contribute primarily U.S -based services which represent cash expenditures in support of planning and conducting overseas marketing activities. FAS reimburses cooperators for most overseas program expenses incurred, while cooperators pay for some overseas personnel expenses. FAS also pays for most of the cooperators' indirect overseas expenses, such as rent and utilities Furthermore, some cooperators claim questionable goods and services contributions because FAS reviews do not focus on such contributions but are geared to assuring accurate cooperator requests for reimbursement of direct program expenses

Recommendations

We recommend that the Secretary of Agriculture direct the Administrator of FAS to revise guidelines to define all program contributions based on the source of contribution rather than on the type of asset contributed We also recommend that the Secretary direct FAS to determine the extent to which the program is receiving improper, inflated, or misleading reports on cooperator contributions and, if significant, to use its various reviews to enforce compliance with FAS criteria.

Views of Agency Officials and Our Evaluation

In our draft report we suggested that FAS revise its guidelines to provide a more accurate definition of cash contribution. FAS officials stated that since the cooperator program is voluntary in nature, the type of contribution provided, be it cash or goods and services, is not as important as the fact that cooperators succeed in generating farmer/producer contributions. They assert that these contributions represent farmers' hard cash. Furthermore, redefining cash to a more technically correct statement would not help FAS or cooperators track program expenses or contribute to program management. After considering these views we revised our recommendation.

An AEDC official stated his concern that some readers of the report may get the impression that cooperators were improperly claiming service contributions because of FAS' definition of cash contribution and that cooperators were "getting away with something". He stated that cooperator headquarters' expenses support overseas marketing activities and in his mind are direct program expenses We revised our report to assure that no implication remains that indirect service contributions are improper.

Our second recommendation was not in the draft report reviewed by FAS and AEDC officials Therefore, they have not yet expressed their views on it.

FAS Expenditures and U.S. And Third Party Cooperator Contributions (Fiscal Year 1986)[a]

(000 omitted)

Commodity and Cooperator	FAS expenditures	Cooperator Contributions Cash	Goods & services	Total	Foreign third party
Cotton					
Cotton Council International	$1,914	$3,090	$204	$3,294	$2,420
International Institute for Cotton	2,646	-0-	-0-	-0-	2,392
Subtotal	**4,560**	**3,090**	**204**	**3,294**	**4,812**
Dairy & Poultry					
Dairy Society Int'l	-0-	-0-	-0-	-0-	-0-
Poultry & Egg Institute of America	1,924	374	110	484	1,591
Subtotal	**1,924**	**374**	**110**	**484**	**1,591**
Oilseeds & Products					
American Soybean Association	6,778	3,767	1,427	5,194	8,377
National Peanut Council	1,074	535	242	777	4,033
North Dakota Sunflower Council	245	109	44	153	90
National Cottonseed Products Assn	95	5	23	28	46
Subtotal	**8,192**	**4,416**	**1,736**	**6,152**	**12,546**
Fruits & Vegetables					
National Potato Promotion Board	141	135	95	230	-0-
California Raisin Advisory Board	1,035	760	-0-	760	261
Florida Department of Citrus	504	877	-0-	877	535
Northwest Horticultural Council	493	654	27	681	-0-
California Cling Peach Advisory Board	901	1,353	-0-	1,353	456
California Avocado Commission	256	330	-0-	330	840
Papaya Administrative Committee	37	40	34	74	-0-
California Table Grape Commission	137	151	-0-	151	-0-
Am Horticultural Mktg Coun (Fla Nursery)	19	-0-	14	14	28
Western Growers Assn	8	7	5	12	-0-
California Pistachio Comm	15	110	-0-	110	-0-
National Pecan Marketing Council	66	203	-0-	203	-0-
California Wine Institute	724	1,096	604	1,700	-0-
Subtotal	**4,336**	**5,716**	**779**	**6,495**	**2,120**

Commodity and Cooperator	FAS expenditures	Cooperator Contributions: Cash	Goods & services	Total	Foreign third party
Grain & Feed					
U S Wheat Associates, Inc	6,185	2,611	3,100	5,711	3,952
Millers National Federation	15	22	-0-	22	-0-
National Dry Bean Council	32	8	10	18	-0-
Protein Grain Products International	41	20	20	40	-0-
Rice Council for Market Development	1,971	881	231	1,112	1,569
USA Dry Pea and Lentil Council, Inc	212	80	206	286	119
U S Feed Grains Council	5,531	2,688	791	3,479	4,990
National Hay Association, Inc	17	5	69	74	92
Subtotal	**14,004**	**6,315**	**4,427**	**10,742**	**10,722**
Livestock & Livestock Products					
National Renderers Association	901	400	94	494	460
Tanners Council of America	270	945	-0-	945	-0-
Mohair Council of America	19	24	-0-	24	-0-
Holstein-Friesian Association of America	201	582	-0-	582	49
American Legend Cooperative (EMBA)	432	707	-0-	707	576
American Quarter Horse Association	14	49	8	57	13
Brown Swiss Cattle Breeders Association	54	82	1	83	-0-
National Association of Animal Breeders	50	84	20	104	13
U S Meat Export Federation	2,053	1,527	463	1,990	5,561
National Association of Swine Records	18	-0-	22	22	-0-
Appaloosa Horse Club, Inc	-0-	-0-	-0-	-0-	-0-
U S Beef Breed Council[b]	90	30	130	160	-0-
National Association of Wool Growers	7	7	-0-	7	-0-
Catfish	41	-0-	-0-	-0-	-0-
Livestock Exporters Assn	-0-	-0-	-0-	-0-	-0-
American Jersey Cattle Club	-0-	-0-	-0-	-0-	-0-
Subtotal	**4,150**	**4,437**	**738**	**5,175**	**6,672**
Tobacco & Seeds					
Tobacco Cooperators	87	129	400	529	-0-
American Seed Trade Association	193	194	106	300	-0-
Subtotal	**280**	**323**	**506**	**829**	**-0-**

Commodity and Cooperator	FAS expenditures	Cooperator Contributions: Cash	Cooperator Contributions: Goods & services	Cooperator Contributions: Total	Foreign third party
State Groups					
EUSAFEC (Eastern states)	92	57	150	207	–0-
MIATCO (Mid-American states)	179	337	–0-	337	–0-
SUSTA (Southern states)	135	98	–0-	98	–0-
WUSATA (Western states)	180	218	178	396	45
NASDA (National organization)	271	–0-	917	917	–0-
Subtotal	**857**	**710**	**1,245**	**1,955**	**45**
Forest Products					
National Forest Products Assn	1,418	820	–0-	820	319
Subtotal	**1,418**	**820**	**–0-**	**820**	**319**
Total Cooperator Projects	**39,721**	**26,201**	**9,745**	**35,946**	**38,827**
Export Incentive Programs	**1,892**	**2,914**	**–0-**	**2,914**	**948**
Total Market Development Projects	**$41,613**	**$29,115**	**$9,745**	**$38,860**	**$39,775**

[a]As of Feb 4, 1987

[b]The former eight beef breeders consolidated in fiscal year 1983

Source FAS

Market Development Expenditures by Geographic Area[a]

Figures in percent

	Fiscal year					
Area	**1981**	**1982**	**1983**	**1984**	**1985**	**1986[c]**
Japan	19 7	19 0	17 6	18 1	18 8	17 6
Western Europe	35 7	35 5	31 4	27 1	25 4	24 1
Asia	24 2	25 2	30 6	26 4	27 3	26 5
Eastern Europe	2 3	1 7	1 9	2 0	1 9	2 5
Soviet Union	—0-	[b]	[b]	0 4	0 5	0 9
Latin America	9 9	9 9	7 8	9 6	9 7	10 0
Africa	2 4	2 0	4 0	9 1	8 5	10 5
Near East	3 0	4 3	5 6	6 4	7 3	7 4
Other	2.8	2 4	1 1	0 9	0 6	0 5
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[a]Does not include International Institute for Cotton, Export Incentive Programs, Targeted Export Assistance Programs, and FAS projects

[b]Less than one-tenth of one percent

[c]As of Jan 1987

Source FAS

Program Expenditures - Historical Perspective

(000 omitted)

Fiscal year	Total program[a]	Total FAS funds[a]	Contributions[b] Cooperator	Contributions[b] Foreign third parties
1974	$33,490	$10,234 (30%)	$7,622 (23%)	$15,634 (47%)
1975	38,679	11,739 (30%)	10,030 (26%)	16,910 (44%)
1976	34,999	10,922 (31%)	9,794 (28%)	14,283 (41%)
1977	41,044	11,719 (29%)	12,480 (30%)	16,845 (41%)
1978	49,139	13,926 (28%)	15,103 (31%)	20,110 (41%)
1979	56,265	16,709 (30%)	16,159 (29%)	23,397 (41%)
1980	66,058	18,778 (28%)	19,712 (30%)	27,568 (42%)
1981	71,639	20,195 (28%)	21,077 (29%)	30,367 (43%)
1982	75,341	20,641 (27%)	27,971 (37%)	26,729 (36%)
1983	89,147	23,373 (26%)	30,131 (34%)	35,643 (40%)
1984	88,125	27,429 (31%)	30,053 (34%)	30,643 (35%)
1985	110,818	38,187 (34%)	35,431 (32%)	37,200 (34%)
1986[c]	120,248	41,613 (35%)	38,860 (32%)	39,775 (33%)

[a]Includes Export Incentive Program funds which are used to promote high value and value added products in foreign markets

[b]As reported by FAS and cooperators

[c]As of Feb 6, 1987

Source FAS

Requests for copies of GAO reports should be sent to

U S General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free Additional copies are $2 00 each

There is a 25% discount on orders for 100 or more copies mailed to a single address

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents

United States
General Accounting Office
Washington, D.C 20548

Official Business
Penalty for Private Use $300

Address Correction Requested

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100