



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

INTERNATIONAL DIVISION

May 31, 1973

Dear Mr. Ioanes

On November 29, 1972 you forwarded comments of the Foreign Agriculture Service on our draft report to the Congress on "Alternatives to Present Market Development Activities." On March 30, 1973, the Assistant Administrator for Market Development reported on developments concerning recommendations made in our draft report.

The principal concern expressed in our draft report was the need for improved criteria and procedures for evaluating cooperator programs. We also suggested that products and areas susceptible to market development activities be identified for more effective use of funds. The Assistant Administrator's response of March 30, 1973 advised that steps have been taken to formalize program evaluation procedures including reevaluation of existing programs and developing a systematic approach to identify new programs to fill promotional gaps. Actions aimed at reducing poultry programs in the European Community and shifting of program emphasis in rice, feed grains, soy bean and citrus products in Europe were also reported.

In view of your agency's actions in line with our draft report recommendations, and recent changes in the world agricultural supply situation, we have decided not to issue a report to the Congress on this subject at this time. While we believe that implementation of the revised procedures can lead to a more effective allocation of promotional resources, we offer the following comments for your further consideration.

1. The Fiscal Year 1974 Cooperator Marketing Plan Approval Procedures indicate a move in the right direction in light of budget constraints created by decreased purchasing power of our devalued dollar. The new criteria and procedures for evaluating cooperator program improves prospects for applying FAS promotional dollars where they can do the most good. As these improvements are further developed and used consistently, they should improve program effectiveness over the long run.

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2. Although program emphasis has been redirected from lamb and pork to beef production, no reduction of total program expenditures is contemplated. Economic affluence has historically resulted in a shift to higher protein diets with consequent increase in feedgrain demand. In light of confirmed economic gains in Europe and the changed U.S. feedgrains supply situation, we believe that a more modest program such as trade servicing and contact work to influence a more favorable European Community feed grain policy might suffice to adequately service this market.

3. The change to an export incentive program with U.S. citrus producers in the European market could, in our opinion, eliminate FAS sponsored cooperator efforts which parallel private producers' promotion. We believe that FAS should carefully consider (a) the limited growth potential of the EC market, and (b) the relative need of the producer for outside promotional funds. We note that a major U.S. producer in this market has spent about \$600 thousand annually for promotion of its products, far more than past cooperator expenditures.

We appreciate the spirit of cooperation evidenced by your positive response to our draft report. We plan to assess the actions indicated above at an appropriate future date and conduct further reviews of agricultural trade matters including programs in your area of responsibility. We seek your continued cooperation and assistance in our endeavors to achieve mutually beneficial objectives.

Sincerely yours,

  
J. Y. Kurihara  
Assistant Director

Mr. Raymond A. Ioanes  
Administrator, Foreign Agricultural  
Service  
Department of Agriculture