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# REPORT TO THE CONGRESS



## Audit Of Commodity Credit Corporation Fiscal Year 1974

Department of Agriculture

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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FEB. 3, 1975



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-114824

101 To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on the audit of the Commodity Credit Corporation, Department of Agriculture, for fiscal year 1974. 250

We made our audit pursuant to the Government Corporation Control Act (31 U.S.C. 841).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Agriculture.

*James B. Stets*

Comptroller General  
of the United States

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ABBREVIATIONS

ASCS Agricultural Stabilization and Conservation Service

CCC Commodity Credit Corporation

GAO General Accounting Office

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

AUDIT OF COMMODITY CREDIT  
CORPORATION, FISCAL YEAR  
1974  
Department of Agriculture

D I G E S T

WHY THE AUDIT WAS MADE

The Government Corporation Control Act requires GAO to make an annual financial audit of the Commodity Credit Corporation (CCC).

OPINION ON FINANCIAL STATEMENTS

In view of the character and scope of CCC's operations--particularly commodity inventories and loan collateral--it was not practicable for GAO to perform all the examination and verification steps needed to reach an independent, overall opinion concerning the accuracy and fairness of the financial statements. (See p. 16.) Therefore GAO cannot express an opinion that CCC's financial statements present fairly its financial position at June 30, 1974, and the results of its operations for the year then ended. GAO believes, however, that

- CCC's accounting methods provided a generally satisfactory record of its financial transactions and
- CCC's financial reporting system generally was adequate to supply management with information for conducting its affairs. (See p. 18.)

OTHER MATTERS OF INTEREST

Financial operations

CCC reported a \$2.76 billion loss for fiscal year 1974, down \$1.33 billion from its \$4.09 billion loss for fiscal year 1973. (Price-support and related operations normally result in a loss.) Such losses are reimbursable through appropriations.

Most of the loss for 1974 resulted from (1) direct payments of \$2.4 billion to producers for setting aside land from production of feed grains, cotton, and wheat during the 1973 crop year and (2) interest expense of \$385 million. (See pp. 3 and 20.)

At June 30, 1974, CCC's unreimbursed losses totaled \$7.01 billion--\$2.76 billion for fiscal year 1974 and \$4.25 billion for fiscal years 1972 and 1973. An appropriation act approved in December 1974 provided for reimbursing CCC \$4.1 billion. (See p. 4.)

In fiscal year 1974 CCC spent \$4.1 billion for price-support and related activities. Most of this--\$3.5 billion--was for price-support loans and direct payments to producers. (See p. 4.)

CCC's investment in commodity

loans and inventories at June 30, 1974, was \$563 million, a decrease of \$1.1 billion during fiscal year 1974. The investment in commodity loans decreased \$695 million (see p. 6) and the investment in inventories decreased \$365 million (see p. 8).

CCC incurred costs of \$971 million for fiscal year 1974 for special activities authorized by various statutes and financed through special appropriations. This was down from \$1.2 billion for such activities for fiscal year 1973. Practically all of the costs--\$963 million in fiscal year 1974 and \$1.1 billion in fiscal year 1973--pertained to financing the sale or donation of agricultural commodities to foreign countries under Public Law 480. (See p. 9.)

Accounts and notes receivable

at June 30, 1974, totaled \$5 billion, a decrease of \$400 million during the year. These receivables represented 83 percent of CCC's total assets. They pertained mainly to CCC's financing of commercial exports of agricultural commodities under Public Law 480 and under its export credit sales program. (See p. 11.)

#### RECOMMENDATIONS OR SUGGESTIONS

This report contains no recommendations or suggestions.

#### MATTERS FOR CONSIDERATION BY THE CONGRESS

This report presents results of GAO's annual audit of CCC's financial statements and such other information as necessary to keep the Congress informed on the operations and financial condition of CCC.

## CHAPTER 1

### INTRODUCTION

The Commodity Credit Corporation (CCC), a wholly owned Government corporation, was created under a Delaware charter in 1933 to stabilize, support, and protect farm income and prices; assist in maintaining balanced and adequate supplies of agricultural commodities; and facilitate their orderly distribution. CCC was reincorporated in 1948, as a Federal corporation within the Department of Agriculture, by the Commodity Credit Corporation Charter Act (15 U.S.C. 714).

CCC's principal operations in fiscal year 1974 were price-support programs for agricultural commodities, including storing, handling, and disposing of commodities acquired under the programs; 1973-cropland set-aside programs; and export activities under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691)--commonly known as Public Law 480--which are financed by appropriations authorized under statutes providing for the activities.

## CHAPTER 2

### ORGANIZATION AND MANAGEMENT

CCC is managed by a Board of Directors subject to the general supervision and direction of the Secretary of Agriculture, who is an ex officio Director and the Chairman of the Board. The Board consists of six other members appointed by the President with the Senate's advice and consent.

A bipartisan advisory board of five members, appointed by the President, surveys general CCC policies and advises the Secretary. CCC officers are designated according to their positions in the Department.

CCC has no operating personnel of its own. Its activities are carried out mainly by the personnel, and through the facilities, of the Department's Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Stabilization and Conservation State and county committees. Other Department agencies and offices and commercial agents carry out certain phases of CCC's activities.

ASCS administers CCC's activities through its central office in Washington, D.C.; its two commodity offices in Prairie Village, Kansas, and Minneapolis, Minnesota; and an administrative office in Kansas City, Missouri. A commodity office (cotton operations) in New Orleans, Louisiana, was closed in September 1973 and its program functions were assumed by the Prairie Village office. The commodity offices acquire, store, transport, and dispose of agricultural commodities.

The Agricultural Stabilization and Conservation State and county committees carry out certain CCC price-support and related activities within the States and counties. The State committees supervise county committee activities in their respective States. There are 50 State offices, a Caribbean area office, and about 2,700 county offices serving about 3,000 counties.



CHAPTER 3

SELECTED HIGHLIGHTS OF FISCAL YEAR 1974 OPERATIONS

\$2.8 BILLION REALIZED LOSS REPORTED BY CCC

CCC's price-support and related operations normally result in a loss. For fiscal year 1974 CCC reported a realized loss (recorded loss before adjusting allowances for losses on loans, commodity inventories, and receivables) of \$2.76 billion, which was \$1.33 billion less than the loss of \$4.09 billion for 1973. This decrease was due mainly to a \$704 million decrease in payments to farmers for setting aside cropland from production of feed grains and a \$292 million decrease in export payments. CCC's comparative statement of income and expense for fiscal years 1974 and 1973 is on page 20.

Most of the loss resulted from direct payments totaling \$2.4 billion to producers for setting aside cropland in 1973 from production of feed grains, cotton, and wheat. Interest expense amounted to \$385 million. There was no set-aside of cropland in 1974.

At the beginning of fiscal year 1974, CCC was contingently liable for an estimated \$53 million in subsidy payments on export sales that had been registered or declared or on export offers that had been accepted, but for which documents evidencing exportation had not been submitted. Export subsidies paid by CCC during fiscal year 1974 amounted to \$57 million--\$43 million on wheat and \$14 million on tobacco. At June 30, 1974, CCC was still contingently liable for \$4.9 million of export payments. Subsidy commitments were discontinued in 1972.

The following analysis shows the realized loss for fiscal years 1974 and 1973 according to commodity (and products) or category of expense.

	<u>1974</u>	<u>1973</u>	<u>Decrease or in- crease (-)</u>
----- (000,000 omitted) -----			
Commodities:			
Feed grains	\$1,115	\$1,923	\$ 808
Cotton	721	825	104
Wheat	494	727	233
Dairy products	101	183	82
Vegetable oil products	32	19	-13
Rice	20	38	18
Tobacco	14	28	14
Peanuts	5	60	55
Other	-	17	17
Total	2,502	3,820	1,318
Expenses:			
Interest expense net of interest income	183	181	-2
Operating and other expenses	74	93	19
Realized loss	\$2,759	\$4,094	\$1,335

In fiscal year 1974 the Congress appropriated \$3.3 billion to reimburse CCC for losses, compared with a reimbursement of \$4.06 billion in fiscal year 1973. A summary of changes in the amount of unreimbursed losses during fiscal year 1974 follows.

	<u>Amount</u>
	(billions)
Unreimbursed losses, June 30, 1973:	
Fiscal year 1972	\$3.46
Fiscal year 1973	<u>4.09</u>
	7.55
Less reimbursements in fiscal year 1974	<u>3.30</u>
	4.25
Plus loss, fiscal year 1974	<u>2.76</u>
Unreimbursed losses, June 30, 1974	<u>\$7.01</u>

The agriculture appropriation act for fiscal year 1975, approved December 31, 1974, provided for reimbursing CCC \$4.1 billion (88 Stat. 1830).

Also CCC incurred costs of \$971 million for special activities authorized by various statutes and financed through special appropriations. Comments on these activities begin on page 9.

\$4.1 BILLION EXPENDED FOR  
PRICE-SUPPORT AND RELATED ACTIVITIES

In fiscal year 1974, CCC expended \$3.5 billion in nonrecourse price-support loans <sup>1/</sup> and direct payments to producers. Also CCC spent \$434 million on inventory transactions and \$166 million on other activities, including \$92 million for storage facility and equipment loans. A summary of total expenditures during fiscal year 1974 follows.

---

<sup>1/</sup>The loans are nonrecourse because CCC accepts the commodity collateral in full settlement of a loan.

	Inventory						Storage expenses on farm-stored loan collateral	Export subsidies
	Total expenditures	Price-support loans	Direct payments to producers	Purchases	Storage and handling expenses	Transportation expenses		
----- (000,000 omitted) -----								
Commodities:								
Feed grains	\$1,519	\$ 310	\$1,142	\$ 38	\$ 9	\$ 7	\$13	\$ -
Cotton	885	167	718	-	-	-	-	-
Wheat	625	74	491	-	9	4	4	43
Soybeans	278	278	-	-	-	-	-	-
Wheat products (mainly flour)	177	-	-	177	-	-	-	-
Peanuts	175	169	-	5	1	-	-	-
Rice	142	122	-	20	-	-	-	-
Vegetable oil products	67	-	-	67	-	-	-	-
Dairy products	58	-	-	55	-	3	-	-
Blended foods	38	-	-	38	-	-	-	-
Tobacco	52	38	-	-	-	-	-	14
Other	7	6	-	1	-	-	-	-
Total	4,023	\$1,164	\$2,351	\$401	\$19	\$14	\$17	\$57
Storage facility and equipment loans	92							
Total	\$4,115							

The amount of expenditures directly involving producers totaled \$3.6 billion in fiscal year 1974 as compared with \$5.3 billion in the previous year as shown in the following table.

	1974	1973	De-crease
----- (000,000 omitted) -----			
Expenditures:			
Price-support loans	\$1,164	\$1,424	\$ 260
Direct payments	2,351	3,590	1,239
Storage facility and equipment loans	92	157	65
Storage expense on farm-stored collateral for extended loans	17	99	82
Total	\$3,624	\$5,270	\$1,646

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The distribution of these amounts by State follows.

	<u>1974</u>	<u>1973</u>	Decrease or increase (-)
Texas	\$ 469	\$ 633	\$ 164
Iowa	320	531	211
Minnesota	219	369	150
Arkansas	210	171	-39
Illinois	201	326	125
Nebraska	195	315	120
Kansas	189	301	112
California	178	179	1
Georgia	140	161	21
North Dakota	133	312	179
Mississippi	132	143	11
Missouri	124	174	50
Indiana	113	164	51
Oklahoma	90	140	50
North Carolina	88	102	14
South Dakota	83	162	79
Ohio	71	103	32
Alabama	70	82	12
Montana	60	108	48
Arizona	54	63	9
Tennessee	46	57	11
Wisconsin	44	70	26
Louisiana	44	54	10
South Carolina	43	57	14
Michigan	40	64	24
Colorado	35	64	29
Virginia	32	33	1
washington	30	62	32
Kentucky	29	45	16
New Mexico	29	44	15
Idaho	24	47	23
Other	<u>89</u>	<u>134</u>	<u>45</u>
Total	<u>\$3,624</u>	<u>\$5,270</u>	<u>\$1,646</u>

\$695 MILLION DECREASE IN  
BALANCE OF COMMODITY LOANS

At June 30, 1974, CCC's investment in commodity loans totaled \$449 million, or less than half of the \$1.1 billion balance at June 30, 1973. The major decreases were \$429 million in loans for feed grains and \$231 million in loans for tobacco. Commodity loan activity during fiscal year 1974 is summarized as follows.

	<u>Total</u>	<u>Feed grains</u>	<u>To-bacco</u>	<u>wheat</u>	<u>Cot-ton</u>	<u>Soy-beans</u>	<u>Other, mainly peanuts and rice</u>
----- (000,000 omitted) -----							
Loan balance, June 30, 1973	\$ <u>1,144</u>	\$ <u>553</u>	\$ <u>481</u>	\$ <u>77</u>	\$ <u>26</u>	\$ <u>5</u>	\$ <u>2</u>
1974 fiscal year activity:							
Loans made	1,164	310	38	74	167	278	297
Repayments	-1,853	-738	-269	-141	-159	-252	-294
Loans canceled by CCC acquisition of collateral	-1	-	-	-	-	-	-1
Loans charged off	-4	-	-	-	-	-	-4
Other transactions	<u>-1</u>	<u>-1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change	<u>-695</u>	<u>-429</u>	<u>-231</u>	<u>-67</u>	<u>8</u>	<u>26</u>	<u>-2</u>
Loan balance, June 30, 1974	\$ <u>449</u>	\$ <u>124</u>	\$ <u>250</u>	\$ <u>10</u>	\$ <u>34</u>	\$ <u>31</u>	\$ <u>-</u>

The amount of loans canceled by CCC acquisition of collateral or charged off was minimal because market prices were generally favorable in relation to CCC price-support levels. A table comparing the price-support level maintained by CCC for selected commodities during fiscal year 1974 with the average of market prices received by farmers follows.

<u>Commodity</u>	<u>CCC price-support loans</u>			<u>Average unit price received by farmers (note a)</u>
	<u>Amount</u>	<u>Quantity</u>	<u>Average per unit</u>	
----- (000 omitted) -----				
Soybeans	\$278,249	124,176 bu.	\$ 2.24	\$ 5.75
Corn (feed grain)	271,786	260,563 bu.	1.04	2.60
Cotton (upland)	163,082	1,735 bales	94.00	214.08
Rice	<u>122,051</u>	19,145 cwt.	6.38	13.80
Total	<u>\$835,168</u>			

a/Preliminary; according to Economic Research Service.

Effective with 1973-crop price-support loans--1974 fiscal year activity--CCC charged producers interest at an annual

rate of 5-1/2 percent. The previous rate was 3-1/2 percent. The objective of this increase was to recover CCC's interest cost on funds borrowed from the U.S. Treasury.

For the 1974 crop CCC increased the interest rate on price-support loans to 7-1/4 percent and adopted a policy to adjust the rate semi-annually (March and October) to a level sufficient to recover its cost of borrowed funds. In October 1974 CCC increased the rate on price-support loans to 9-3/8 percent. This new policy of recovering the cost of borrowed funds is in line with a recommendation to CCC that we had included in a report to the Congress (B-114824, Sept. 21, 1967) and in letters to the Department in 1969 and 1971. The following table shows the monthly trend of interest rates paid by CCC on its borrowings with interest rates charged producers, beginning with July 1973.

<u>Month</u>	<u>Interest rate paid by CCC</u>	<u>Interest rate charged by CCC</u>	<u>Excess of rate paid over rate charged</u>
July 1973	7-1/8%	5-1/2%	1-5/8%
Aug.	7-7/8	5-1/2	2-3/8
sept.	8-3/4	5-1/2	3-1/4
Oct.	8-5/8	5-1/2	3-1/8
Nov.	7-1/2	5-1/2	2
Dec.	7-1/2	5-1/2	2
Jan. 1974	7-1/2	5-1/2	2
Feb.	7-1/2	5-1/2	2
Mar.	7-1/4	5-1/2	1-3/4
Apr.	7-1/2	5-1/2	2
May	8-1/2	7-1/4	1-1/4
June	8-7/8	7-1/4	1-5/8
July	8-1/2	7-1/4	1-1/4
Aug.	8-7/8	7-1/4	1-5/8
Sept.	9	7-1/4	1-3/4
Oct.	9-3/8	9-3/8	-
Nov.	8-1/4	9-3/8	(1-1/8)
Dec.	7-3/4	9-3/8	(1-5/8)

\$365 MILLION REDUCTION  
IN COMMODITY INVENTORIES

At June 30, 1974, CCC's investment in commodity inventories amounted to \$114 million--the lowest level since 1939. A year earlier the investment was \$479 million. The major decreases, \$168 million in wheat and \$153 million in feed grains, were attributable to a strong demand in relation to supply. The investment of \$114 million consisted mostly of grain stocks costing \$87 million. Of these stocks, 43 million bushels of oats costing about \$27 million were held in

reserve pursuant to law (87 Stat. 239) for the purpose of alleviating distress caused by a natural disaster; most of the remainder was committed for disposition.

During fiscal year 1974 loan collateral taken into inventory through default amounted to only \$2 million, compared with \$65 million in 1973. This decrease was attributed to favorable market prices which induced producers to repay CCC for their price-support loans. CCC's inventory activities during the year ended June 30, 1974, are summarized in the following table.

	Inventory at June 30, 1973	Additions			Deductions			Inventory at June 30, 1974
		Purchases	Loan collateral acquired	Adjustments	Inventory sold	Donations	Adjustments	
----- (000,000 omitted) -----								
feed grains	\$213	\$ 19	\$1	\$-	\$172	\$ -	\$1	\$ 60
wheat	195	-	-	-	166	-	2	27
Dairy products	65	55	-	2	-	98	-	24
lung oil	5	-	1	-	4	-	-	4
wheat products (mainly flour)	-	177	-	-	123	53	-	1
Vegetable oil products	-	67	-	-	35	32	-	-
Blended food products	-	38	-	-	38	-	-	-
rice	-	20	-	-	-	20	-	-
Corn products	-	12	-	-	7	5	-	-
Peanuts	-	5	-	-	5	-	-	-
Other	1	7	-	-	5	3	-	-
<b>Total</b>	<b>\$479</b>	<b>\$400</b>	<b>a/\$2</b>	<b>\$2</b>	<b>\$555</b>	<b>\$211</b>	<b>\$3</b>	<b>\$114</b>

a/Includes \$1 million in collateral in excess of value of loans (\$1 million) defaulted.

### \$971 MILLION IN REIMBURSABLE COSTS FOR SPECIAL ACTIVITIES

Under certain laws, CCC performs special activities and receives appropriated funds either as partial reimbursement for costs incurred or as advances. The special activities are financed separately from CCC's price-support and related programs; therefore, these costs are not included in CCC's realized loss of \$2.8 billion as shown in schedule 2. The special activities cost \$971 million for fiscal year 1974--\$243 million less than the fiscal year 1973 costs. The principal special activity, exporting agricultural commodities under Public Law 480, cost \$963 million compared with \$1.1 billion in fiscal year 1973. A summary showing the costs incurred and the funds received by CCC for these activities during fiscal year 1974 follows.

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Activity and authority	Fiscal year 1974 activity			Unreimbursed costs (funds appropriated in advance of expenditure (-)) at June 30, 1974
	Unreimbursed costs at June 30, 1973	Costs incurred	Appropriations and other funds received	
----- (000,000 omitted) -----				
Public Law 480:				
Title I	-\$302	\$578	\$563	-\$287
Title II	<u>96</u>	<u>385</u>	<u>314</u>	<u>167</u>
	-206	963	877	-120
National Wool Act of 1954 (7 U.S.C. 1781)	<u>124</u>	<u>8</u>	<u>59</u>	<u>73</u>
Total	<u>\$-82</u>	<u>\$971</u>	<u>\$936</u>	<u>\$-47</u>

Title I of Public Law 480 provides for CCC to finance the sale of agricultural commodities for dollars on credit terms or for foreign currencies. Title II provides for Government donations of agricultural commodities for distribution in foreign countries. A summary of costs incurred under Public Law 480 by type of transaction during fiscal year 1974 follows.

	<u>Title I</u>	<u>Title II</u>	<u>Total</u>
----- (000,000 omitted) -----			
Commercial export sales of agricultural commodities (suppliers' invoices)	\$566	\$ -	\$566
Payments to suppliers for export differentials	2	-	2
Disposition of CCC inventories (included as sales in CCC's statement of income and expense)	-	282	282
Ocean transportation	10	101	111
Other	-	2	2
Total	<u>\$578</u>	<u>\$385</u>	<u>\$963</u>



About 34 percent of the Public Law 480 costs pertained to rice exports. The following summary shows the costs by commodity or by other category.

	<u>Amount</u>
	(millions)
Rice	\$323
Wheat	274
Feed grains	130
Vegetable oil products	73
Blended food products	42
Cotton	38
Tobacco	31
Oils and oilseeds	<u>1</u>
	912
Ocean transportation for commodities donated through nonprofit voluntary agencies	50
Other	<u>1</u>
Total	<u>\$963</u>

There were no price-support payments to producers under the National Wool Act of 1954, except for prior years' adjustments, because the average market price for wool exceeded the price-support level. This was the first year in which there were no price-support payments under the act. Fiscal year 1974 costs of \$8 million under the act were largely for interest on unreimbursed expenditures of CCC funds. The act authorizes appropriations to reimburse CCC.

\$400 MILLION DECREASE IN  
ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable at June 30, 1974, totaled \$5 billion, compared with \$5.4 billion a year earlier. These receivables represented 83 percent of CCC's total assets. Of the receivables at June 30, 1974, \$4.5 billion pertained to CCC's financing of commercial exports of agricultural commodities under Public Law 480 and under its export credit sales program. A summary showing activity under the two programs during fiscal year 1974 follows.

<u>Program</u>	Balance at June 30, <u>1973</u>	1974 fiscal year activity		Net in- crease or de- crease (-)	Balance at June 30, <u>1974</u>
		Financ- ing by CCC	Collec- tions		
------(millions)-----					
Public Law 480	\$3,187.3	\$651.5	\$361.6	\$289.9	\$3,477.2
Export cred- it sales	<u>1,292.1</u>	<u>297.9</u>	<u>612.7</u>	<u>-314.8</u>	<u>977.3</u>
Total	<u>\$4,479.4</u>	<u>\$949.4</u>	<u>\$974.3</u>	<u>\$-24.9</u>	<u>\$4,454.5</u>

#### Public Law 480 sales program

Under Public Law 480, CCC finances agricultural exports through long-term credit agreements with foreign governments and foreign trade entities. Repayments are to be made periodically in dollars over periods not to exceed 40 years.

During fiscal year 1974, the largest amounts of financing were \$230 million for South Vietnam and \$169 million for the Khmer Republic (Cambodia). According to Department of Agriculture statistics, rice was the main commodity shipped to these countries under the program. Other commodities shipped included cotton, wheat, and tobacco.

The accounting treatment for Public Law 480 receivables is explained in note E to the financial statements. (See p. 25.) As stated in the note, past-due installments on principal and interest at June 30, 1974, totaled \$13.9 million; \$11.5 million was paid during July and August 1974.

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A summary showing the net activity in the Public Law 480 accounts during fiscal year 1974 and the balances due from the debtors at June 30, 1973 and 1974, follows.

	Balance at June 30, <u>1973</u>	Net in- crease or de- crease <u>(-)</u>	Balance at June 30, <u>1974</u>
----- (millions) -----			
Foreign governments:			
Indonesia	\$ 642.3	\$ 5.6	\$ 647.9
India	428.9	-.1	428.8
South Korea	388.6	-6.2	382.4
Pakistan	258.0	29.7	287.7
Israel	235.1	18.7	253.8
Yugoslavia	213.6	-28.6	185.0
Khmer Republic (Cambodia)	21.6	146.7	168.3
South Vietnam	52.8	55.7	108.5
Brazil	110.2	-5.8	104.4
Morocco	72.7	4.1	76.8
Sri Lanka (Ceylon)	71.3	3.3	74.6
Philippines	69.0	.7	69.7
Tunisia	61.8	7.7	69.5
Turkey	55.0	.5	55.5
Dominican Republic	46.6	3.8	50.4
Chile	45.5	1.5	47.0
Colombia	36.2	6.0	42.2
Bolivia	22.7	11.2	33.9
Ghana	30.7	-.2	30.5
Uruguay	29.6	-1.1	28.5
Zaire (Congo)	28.3	-1.6	26.7
Portugal	16.9	8.2	25.1
Guinea	23.0	1.4	24.4
China (Taiwan)	22.1	-1.9	20.2
Bangladesh	-	19.1	19.1
Jordan	12.4	6.2	18.6
Afghanistan	18.5	-	18.5
Ecuador	15.6	.1	15.7
Arab Republic of Egypt	16.0	-1.1	14.9
Thailand	2.8	9.3	12.1
Greece	12.9	-1.2	11.7
Lebanon	11.2	-.2	11.0
Other	<u>64.4</u>	<u>-1.4</u>	<u>63.0</u>
	3,136.3	290.1	3,426.4
Private trade entities	<u>51.0</u>	<u>-.2</u>	<u>50.8</u>
Total	<u>\$3,187.3</u>	<u>\$289.9</u>	<u>\$3,477.2</u>

Export credit sales program

Under its export credit sales program, CCC finances purchases of agricultural commodities by foreign importers on a deferred-payment basis for periods up to 36 months. Repayments are to be made under an irrevocable letter of credit issued in favor of CCC by a bank acceptable to CCC. During fiscal year 1974, CCC financing amounted to \$297.9 million compared with \$1,029.2 million for fiscal year 1973. The following table shows the amounts financed by CCC in both fiscal years by commodity.

<u>Commodity</u>	<u>1974</u>	<u>1973</u>	<u>Decrease</u>
	------(millions)-----		
Wheat (and flour)	\$167.1	\$ 584.7	\$417.6
Cotton	63.4	117.7	54.3
Corn	53.1	225.5	172.4
Linseed oil	3.5	7.3	3.8
Tobacco	3.3	34.3	31.0
Vegetable oils	2.6	37.7	35.1
Rice	2.5	14.5	12.0
Other	<u>2.4</u>	<u>7.5</u>	<u>5.1</u>
Total	<u>\$297.9</u>	<u>\$1,029.2</u>	<u>\$731.3</u>

Under the terms of an agreement with Russia in July 1972, the United States, through CCC, made a 3-year, \$750 million credit available for the purchase of U.S. grains. By June 30, 1974, credits used under this agreement totaled \$549.7 million; \$89.4 million was used in fiscal year 1974 for purchases of wheat and corn. Repayment under the Russian agreement through fiscal year 1974 amounted to \$159.9 million, leaving a balance of \$389.8 million at June 30, 1974.

The following table shows the \$977.3 million balance in receivables under the CCC export credit sales program at June 30, 1974, according to the country of the importer.

	Balance at June 30, <u>1973</u>	Net in- crease or de- crease <u>(-)</u>	Balance at June 30, <u>1974</u>
------(millions)-----			
Union of Soviet Socialist Republics	\$ 456.2	\$ -66.4	\$389.8
South Korea	139.8	-51.8	88.0
Peru	89.7	-27.4	62.3
Poland	93.4	-32.4	61.0
Yugoslavia	93.3	-42.8	50.5
Arab Republic of Egypt	72.7	-25.7	47.0
Philippines	73.9	-28.1	45.8
Chile	3.2	37.9	41.1
Pakistan	11.4	29.7	41.1
Iran	54.6	-13.6	41.0
Greece	42.8	-14.9	27.9
Romania	36.6	-22.4	14.2
Sudan	9.5	4.2	13.7
Sri Lanka (Ceylon)	7.4	4.6	12.0
Dominican Republic	6.2	1.4	7.6
Morocco	18.8	-13.2	5.6
Zaire (Congo)	4.5	.9	5.4
Thailand	12.0	-6.6	5.4
Jordan	-	4.0	4.0
Other	<u>66.1</u>	<u>-52.2</u>	<u>13.9</u>
 Total	 <u>\$1,292.1</u>	 <u>\$-314.8</u>	 <u>\$977.3</u>

## CHAPTER 4

### SCOPE

Our audit consisted of two major phases: (1) an examination of CCC's financial statements as of June 30, 1974, modified as required by circumstances (see below), and (2) a review of how CCC carried out selected commodity programs and activities, including the controls for safeguarding CCC's assets and protecting the Government's interests.

We made our examination in ASCS offices at Washington, D.C.; Prairie Village; and Kansas City. We reviewed and appraised audit work of the Office of Audit, Department of Agriculture. This office continuously audits CCC financial operations and, where appropriate, we relied on this work and modified the scope of our audit.

### EXAMINATION OF CCC FINANCIAL STATEMENTS

Our examination of CCC's financial statements was directed primarily toward arriving at a conclusion as to their reliability and usefulness for disclosing financial information concerning CCC's affairs. The examination, except as noted below, was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered practicable and reasonable in view of the effectiveness of CCC's internal control and the audit work of the Office of Audit.

In view of the character and extensive scope of CCC's operations--particularly commodity inventories and loan collateral--it was not practicable for us to perform all the examination and verification steps necessary to reach an independent, overall opinion concerning the accuracy and fairness of the financial statements in presenting the financial position of CCC at June 30, 1974, and the results of its operations for the year then ended.

The principal step omitted was an independent verification of CCC-owned commodities and of commodities stored as collateral for loans. Such work would have been not only costly but also extremely difficult because of such factors as the great number and diversity of storage facilities and locations and the general impracticability of determining by independent conformation, inspection, or other means the quantity and condition of grain stored in public warehouses on a commingled basis or stored on farms.

Periodically the Agricultural Marketing Service, Department of Agriculture, physically examines CCC commodity

inventories and collateral stored in commercial warehouses to verify the quantity and quality of these commodities. During fiscal year 1974, Service examinations covered 9,400 warehouses storing grain, cotton, and other agricultural commodities. This number included 1,800 warehouses examined by States under cooperative agreements. On the average, the warehouses were examined twice during the year.

## CHAPTER 5

### OPINION ON CCC FINANCIAL STATEMENTS

The financial statements (schs. 1, 2, 3, and 4) and the accompanying notes are the same as those published in CCC's Report of Financial Condition and Operations as of June 30, 1974.

CCC's loss from operations does not include CCC special activities costs, which CCC pays from appropriated funds received in advance of expenditures or as reimbursements for financing extended. Comments on these costs, which CCC accounts for separately, begin on page 9.

For the reasons explained under "Examination of CCC Financial Statements" (see p. 16), we cannot express an opinion that CCC's financial statements present fairly its financial position at June 30, 1974, and the results of its operations for the year then ended. We believe, however, that CCC's accounting methods provide a generally satisfactory record of its financial transactions and that its financial reporting system is, in general, adequate to supply CCC's management with information for conducting its affairs.

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## SCHEDULE 1

## COMMODITY CREDIT CORPORATION

## COMPARATIVE STATEMENT OF FINANCIAL CONDITION

JUNE 30, 1974 AND 1973

	<u>June 30, 1974</u>	<u>June 30, 1973</u>
<b>ASSETS</b>		
CASH	\$ 87,689,623	\$ 175,135,399
LOAN PROGRAMS:		
Commodity (net) (note B)	448,999,389	1,143,588,960
Storage facility and equipment To Secretary of Agriculture for conservation purposes	271,005,120	274,110,312
	25,000,000	-
COMMODITY INVENTORIES (net) (notes A and B)	89,105,016	411,674,338
ACCOUNTS AND NOTES RECEIVABLE (net) (note C)	4,983,861,596	5,386,513,372
ACCRUED INTEREST RECEIVABLE	54,938,404	59,413,060
FIXED ASSETS (net)	292,318	2,694,655
OTHER ASSETS (net) (note D)	<u>18,272,600</u>	<u>17,409,811</u>
TOTAL ASSETS	<u>\$5,979,164,066</u>	<u>\$ 7,470,539,907</u>
<b>LIABILITIES</b>		
ACCOUNTS PAYABLE	\$ 100,210,253	\$ 123,066,840
ACCRUED INTEREST ON U.S. TREASURY BORROWINGS	264,103,225	268,755,984
ACCRUED LIABILITIES	16,203,484	73,540,686
TRUST AND DEPOSIT LIABILITIES	432,456,438	456,090,773
DEFERRED CREDIT FOR P.L. 480 RECEIVABLES--		
CREDIT SALES FOR DOLLARS (note E)	3,477,230,683	3,187,312,146
OTHER LIABILITIES	<u>22,151,377</u>	<u>25,800,741</u>
TOTAL LIABILITIES	<u>4,312,355,460</u>	<u>4,134,567,170</u>
<b>INVESTMENT OF U.S. GOVERNMENT</b>		
BORROWINGS FROM U.S. TREASURY (note F)	8,608,035,863	10,864,319,422
CAPITAL STOCK	<u>100,000,000</u>	<u>100,000,000</u>
	8,708,035,863	10,964,319,422
Less deficit (schedule 3)	<u>7,041,227,257</u>	<u>7,628,346,685</u>
TOTAL INVESTMENT OF U.S. GOVERNMENT	<u>1,666,808,606</u>	<u>3,335,972,737</u>
TOTAL LIABILITIES AND INVESTMENT OF U.S. GOVERNMENT	<u>\$5,979,164,066</u>	<u>\$ 7,470,539,907</u>

The notes following schedule 4 are an integral part of this statement.

The General Accounting Office opinion on this statement is included in chapter 5.

## SCHEDULE 2

## COMMODITY CREDIT CORPORATION

## COMPARATIVE STATEMENT OF INCOME AND EXPENSE

FISCAL YEARS 1974 AND 1973

	<u>Fiscal year 1974</u>	<u>Fiscal year 1973</u>
<b>REALIZED GAINS AND LOSSES--PROGRAM:</b>		
Commodity inventory operations (note N):		
Sales of commodities	\$ 728,251,239	\$1,159,610,676
Cost of sales	<u>555,073,613</u>	<u>932,718,237</u>
Net gain(-) on sales	-173,177,626	-226,892,439
Cost of commodities donated	211,127,318	257,603,193
Storage and handling expense	19,278,086	71,203,510
Transportation expense	<u>14,264,611</u>	<u>59,387,512</u>
Net loss on commodity inventory operations	<u>71,492,389</u>	<u>161,301,776</u>
Set-aside payments:		
Cotton	718,332,959	813,489,957
Feed grains	1,141,899,013	1,846,335,841
Wheat	<u>490,877,076</u>	<u>462,601,585</u>
Total set-aside payments	<u>2,351,109,048</u>	<u>3,122,427,383</u>
Other program costs and recoveries:		
Reseal loan storage expense	17,443,312	113,010,188
Export payments	56,965,508	349,321,062
National Wool Act payments	100,604	67,990,329
Loan and other charge-offs	4,591,786	47,624,708
Research expense (-gain)	90,901	-36,865
Other program costs	9,858,020	40,810,953
Special recoveries authorized:		
National Wool Act	-100,604	-67,990,329
Research expenses	<u>7,500</u>	<u>36,865</u>
Net other program costs and recoveries	<u>88,957,027</u>	<u>550,766,911</u>
Net realized loss--program	<u>2,511,558,464</u>	<u>3,834,496,070</u>
<b>INCOME AND EXPENSE--GENERAL:</b>		
Income:		
Interest on loans	94,326,803	113,005,026
Other interest income	107,894,423	75,601,773
Other income	139,485	56,846
Total income	<u>202,360,711</u>	<u>188,663,645</u>
Expense:		
Interest expense	384,846,576	370,091,994
General overhead expense (net) (note O)	64,183,281	77,253,056
Other expense	<u>825,962</u>	<u>765,302</u>
Total expense	<u>449,855,819</u>	<u>448,110,352</u>
Net expense--general	<u>247,495,108</u>	<u>259,446,707</u>
<b>TOTAL REALIZED LOSS</b>	<u>2,759,053,572</u>	<u>4,093,942,777</u>
<b>ADJUSTMENTS (GAINS) OF ALLOWANCES FOR LOSSES--PROGRAM:</b>		
Allowance for losses on loans	174,000	4,359,000
Allowance for losses on commodity inventories	41,882,000	75,333,000
Allowance for losses on accounts and notes receivable	<u>2,177,000</u>	<u>1,456,000</u>
Total adjustment of allowances for losses--program	<u>44,233,000</u>	<u>81,148,000</u>
<b>NET LOSS TRANSFERRED TO DEFICIT (schedule 3)</b>	<u>\$2,714,820,572</u>	<u>\$4,012,794,777</u>

The notes following schedule 4 are an integral part of this statement.

The General Accounting Office opinion on this statement is included in chapter 5.

## COMMODITY CREDIT CORPORATION

## ANALYSIS OF DEFICIT

FROM INCEPTION IN 1933 TO JUNE 30, 1974

	<u>Cumulative to June 30, 1973</u>	<u>Fiscal year 1974</u>	<u>Cumulative to June 30, 1974</u>
TOTAL REALIZED LOSS EXCLUSIVE OF COST OF WARTIME CONSUMER SUBSIDY PROGRAM	\$53,919,855,677	\$2,759,053,572	\$56,678,909,249
COST OF WARTIME CONSUMER SUBSIDY PROGRAM	<u>2,102,281,073</u>	-	<u>2,102,281,073</u>
	56,022,136,750	2,759,053,572	58,781,190,322
ALLOWANCES FOR LOSSES--PROGRAM	76,995,000	<sup>a</sup> 44,233,000	32,762,000
NET OPERATING LOSS	<u>56,099,131,750</u>	<u>2,714,820,572</u>	<u>58,813,952,322</u>
LESS:			
Reimbursement for net realized loss (15 U.S.C. 713a)	47,872,629,834	3,301,940,000	51,174,569,834
Appropriation for the postwar price support of agriculture (60 Stat. 8)	500,000,000	-	500,000,000
Loss recovered under the Foreign Aid Act of 1947 (22 U.S.C. 1411)	56,239,432	-	56,239,432
Recovery of emergency feed program losses (69 Stat. 62)	<u>41,915,799</u>	-	<u>41,915,799</u>
	<u>48,470,785,065</u>	<u>3,301,940,000</u>	<u>51,772,725,065</u>
Net deficit (schedule 1)	<u>\$ 7,628,346,685</u>	<u>\$ <sup>b</sup>587,119,428</u>	<u>\$ <sup>c</sup>7,041,227,257</u>

<sup>a</sup>Represents adjustment of allowances for losses.<sup>b</sup>Net surplus.<sup>c</sup>Comprised of the following:

Unrestored realized losses by fiscal year:	
1972	\$ 155,468,908
1973	4,093,942,777
1974	<u>2,759,053,572</u>
	\$7,008,465,257
Allowances for losses, June 30, 1974	<u>32,762,000</u>
Net deficit, June 30, 1974	<u>\$7,041,227,257</u>

The notes following schedule 4 are an integral part of this statement.

The General Accounting Office opinion on this statement is included in chapter 5.

SCHEDULE 4

COMMODITY CREDIT CORPORATION

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FISCAL YEAR 1974

FUNDS PROVIDED:

Borrowings from U.S. Treasury	\$ 3,334,225,196
Reimbursement for realized losses by appropriations	3,301,940,000
Sales of commodities	728,251,239
Inventory settlements for differences in grade, location, and quantity (net)	7,160,744
Repayment of loans by producers	1,948,985,837
Interest income	202,221,226
Other	3,706,620
Decrease in working capital items	<u>673,674,710</u>

Total funds provided \$10,200,165,572

FUNDS APPLIED:

Repayment of borrowings from U.S. Treasury	\$ 5,590,508,755
Cost of commodities purchased	400,577,129
Acquisitions of loan collateral in excess of value of loans defaulted	479,711
Storage, transportation, and processing expenses	37,745,940
Loans to producers	1,256,282,329
Reseal loan storage expense	17,443,312
Loan to Secretary of Agriculture	25,000,000
Export payments	56,965,508
Payments under the cotton, feed grain, and wheat programs	2,351,109,048
Interest expense	384,846,576
State and county office expenses	28,229,000
Custodian and agency expenses	284,647
Administrative expenses	35,399,145
Purchases of nonexpendable equipment	185,752
Other	<u>15,108,720</u>

Total funds applied \$10,200,165,572

The notes following schedule 4 are an integral part of this statement.

The General Accounting Office opinion on this statement is included in chapter 5.

COMMODITY CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1974

A. Commodity inventories

Inventories are valued at acquisition cost plus the cost of any packaging or processing performed after acquisition. The amount of cost allocated to dispositions of commodities, acquired under price-support programs and generally stored without lot or crop year segregation, is computed on the basis of national average unit cost of the oldest crop year of the commodities for which any quantity remains in the inventory accounts. Cost allocated to other dispositions from price-support inventories is computed on the basis of actual lot cost or average unit cost for the crop year inventory from which the specific lots were removed. Actual lot cost or average cost, without regard to crop year, is the basis for costing dispositions from supply and commodity export program inventories.

B. Allowances for losses on loans and inventories

Allowances for losses on commodity loans and commodity inventories are the estimated loss on ultimate commodity dispositions. To the extent practicable, these estimates are based on estimated recoveries from foreseeable dispositions of the commodities. Estimated recoveries for commodities which are in excess of foreseeable dispositions are generally based on the lowest of cost, market price, or the Corporation's price for export sales. Allowances are not established for commodities in the supply and commodity export program inventories because they are usually acquired pursuant to commitments providing for disposition on a basis calculated to recover full costs to the Corporation.

At June 30, 1974, the estimated allowances for losses amounted to \$178,000 on loans and \$25,101,000 on inventories. At June 30, 1973, allowances for losses amounted to \$352,000 on loans and \$66,983,000 on inventories.

C. Allowances for losses on accounts and notes receivable

Allowances for losses on accounts and notes receivable are based on the estimated recovery value of the respective assets. At June 30, 1974, allowances on these assets totaled \$4,983,000 and at June 30, 1973, amounted to \$5,560,000.

No allowance has been provided for possible losses on dollar credit sales under the Agricultural Trade Development and Assistance Act of 1954, P.L. 83-480, because the full amounts of the receivables will be recovered from appropriations. (See note E.)

D. Allowance for losses on investments

Under the Corporation's Export Credit Sales Program, letters of credit of \$21.8 million were issued to CCC by the New York Branch of Intra Bank, S.A.L., Beirut, Lebanon. This bank ceased operations October 15, 1966. CCC and the three other major creditors of Intra Bank (the Governments of Lebanon, Kuwait, and Qatar) entered into an agreement for the settlement of claims of CCC and other creditors against Intra Bank. The agreement provided, among other things, that CCC would be an organizing stockholder in a new investment corporation to be established under Lebanese law. The assets and liabilities of Intra Bank S.A.L. were transferred to two newly created entities which succeeded Intra Bank--Intra Investment Company, S.A.L. and Bank Almashrek, S.A.L. The amount of the account receivable and the interest thereon was transferred to an investment account representing the Corporation's investment in Intra Investment Company, S.A.L. and Bank Almashrek, S.A.L. On April 22, 1974, CCC exercised its option to convert the shares held in Almashrek to a like number of shares in Intra Investment Company.

The agreement provides that CCC may pursue its rights under United States law with respect to assets of Intra Bank in the United States. The Corporation has recovered a substantial amount on its claim from the liquidation of assets of Intra Bank in New York. As of June 30, 1974, \$11.6 million has been recovered and credited to the investment account to reduce the cost of the Corporation's investment. In accordance with the terms of the above stated agreement, CCC on June 25, 1974, granted to the Government of Lebanon its request for an option to purchase CCC's shares of stock in Intra Investment Company.

Under the terms of the agreement, the price for the shares to the Government of Lebanon upon exercising the option, would be \$10.2 million. The option period extends to December 31, 1974.

As the option has not been exercised at June 30, 1974, CCC has allowed \$2.5 million as an estimated loss on the investment. This allowance is based on the relationship between the recoveries and the stated value of stock in the Intra Investment Company which have been allocated to CCC.

E. Receivables for Public Law 83-480, credit sales for dollars

The amounts due for financing, under long-term credit arrangements, deliveries of agricultural commodities and products thereof under agreements entered into with foreign governments and private trade entities pursuant to P.L. 83-480 are carried on the Corporation's books as receivables. Accrued interest is added on June 30 each year. The principal amounts financed during the fiscal year less amounts of principal and interest installments collected is recovered from annual appropriations made by Congress for P.L. 480 programs. Therefore, the total amount of the long-term credit receivables is offset by a deferred credit account. As of June 30, 1974, past-due installments of principal and interest on receivables due from foreign governments amounted to about \$13,893,862. Of this amount \$11,457,541 was paid during July and August 1974.

F. Borrowing authority

CCC operations are financed largely by borrowings from the U.S. Treasury, under its statutory borrowing authorization of \$14.5 billion, this amount being the limit on borrowings that may be outstanding at any one time. As of June 30, 1974, CCC's actual borrowings from the Treasury amounted to \$8,608,036,000. This left a statutory borrowing authority available of \$5,891,964,000.

G. Liability for payments under 1974 programs for feed grains, wheat, and upland cotton

Legislation applicable to 1974 crops authorizes payments to producers of feed grains, wheat, and upland cotton for the deficiency between established target prices for the applicable

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commodity and the higher of the national average market prices for the first five months of the marketing year or the national loan level. The legislation also authorizes a disaster payment program when because of natural disaster conditions a crop can't be planted or more than one-third can't be harvested. Deficiency payments, if any, are not due until after December 1, 1974, in the case of wheat, January 1, 1975, for upland cotton and March 1, 1975, for feed grains. Based on the relationship between current market prices and the established target prices, it is estimated that no deficiency payments will be made. Payments in accordance with the disaster provisions of the program will be made upon application. It is estimated that during the period July 1, 1974 through June 30, 1975, \$500 million will become due under the disaster provisions of the program. However, the amount of such payments cannot be determined until claims have been filed and adjudicated; therefore, the amount is not recorded as a liability in the accounts.

H. Liability for payments under the 1974 extra long staple cotton program

The Corporation will make payments to producers pursuant to legislation applicable to the 1974 crop of extra long staple cotton. At June 30, 1974, the Corporation was contingently liable to make such payments in an estimated amount of \$4 million. Such payments were not due until after July 1, 1974, and the amount cannot be determined until compliance with the terms of the program has been accomplished and verified. The estimated amount is not recorded as a liability in the accounts.

I. Commitments to acquire or dispose of commodities

Contracts to acquire commodities are not reflected in the accounts, but the amounts of firm contracts are considered as contingent liabilities. The approximate contract values of undelivered commodities under firm contracts to acquire such commodities as of June 30, 1974, were as follows:

<u>Commodity</u>	<u>Value</u>
Blended food products	\$11,529,093
Butter	2,239,683
Cheese	2,677,403
Corn	340,730
Corn products	1,588,751
Milk, dried	12,664,591



<u>Commodity</u>	<u>Value</u>
Rice	\$ 5,366,216
Rolled oats	1,449,863
Sorghum grits	1,040,328
Soybean oil	4,613,146
Vegetable oil products	276,337
Wheat	1,708,533
Wheat products	<u>16,769,060</u>
Total	<u>\$62,263,734</u>

Sales commitments and other disposition commitments are not shown in the accounts but are considered in establishing allowances for losses.

J. Export payments

The Corporation was contingently liable at June 30, 1974, to make export payments on accepted offers to export tobacco for which documents evidencing exportation had not been submitted, amounting to \$4,912,000. This contingent liability is not shown in the financial statements.

K. Letters of commitment

Letters of commitment issued to banking institutions authorizing the banks to pay exporters for sales of commodities and to pay carriers for ocean freight differential covering shipments made under P.L. 83-480, are not shown in the financial statements. As of June 30, 1974, the amount of outstanding letters of commitment issued for sales of commodities was \$109,902,458. Letters of commitment covering ocean freight differential are issued without stated value.

L. Claims

Amounts due the Corporation arising from claims that are definitely known or can reasonably be established are recorded currently as accounts receivable. On claims established under programs for which the Corporation will be reimbursed on an actual cost basis and on certain claims established in the maximum amount chargeable, notwithstanding improbability of collection, credit is deferred until actual recovery is made. This deferred credit is shown under "Other Liabilities". An allowance for losses is provided on other claims where

collection is doubtful. Amounts of claims on which adequate proof has not been established are not recorded as accounts receivable but are recorded for control purposes. It is estimated that such claims amounted to \$2,398 as of June 30, 1974.

Claims against the Corporation for which the amounts are definitely known or can reasonably be established are recorded as accounts payable. Amounts of claims which are not considered valid by the Corporation are not shown as accounts payable but are recorded for control purposes. Claims in this category were estimated at \$2,364,059 as of June 30, 1974.

M. Potential value of freight transit rights

The Corporation had commodities stored in commercial warehouses at inland locations with freight bills covering the inbound shipments registered for transit purposes under arrangements which permit use of the registered freight bills to reduce the freight costs on outbound shipments. Because of uncertainty as to when outbound shipments will be made and as to the ultimate destinations it is not practicable to place a dollar value on the potential freight reductions to be realized from the registered freight bills. No value is recorded in the accounts for such potential savings.

N. Commodity inventory operations

Cost of sales and cost of commodities donated, as shown in the Comparative Statement of Income and Expense, represent the acquisition cost of the commodities plus the cost of any packaging or processing performed after acquisition. Storage and handling and transportation expenses pertaining to inventories are shown separately in this statement.

O. General overhead expense

Substantially all of CCC's operating expenses are paid, as authorized by law, from an Agricultural Stabilization and Conservation Service (ASCS) consolidated fund account covering operating expenses for both CCC and ASCS activities. This consolidated account is funded by an ASCS appropriation and by transfer of CCC corporate funds subject to limitations specified in the annual appropriation act. The amount of operating expenses is distributed to CCC and ASCS activities on the basis of budgetary workload statistics.

The amount authorized to cover CCC operating expenses in fiscal year 1974 for transfer to the consolidated account was \$77,859,000. Based on the cost distribution, operating expenses applicable to CCC activities in fiscal year 1974 amounted to \$67,480,000. This same amount was transferred to the consolidated account. For fiscal year 1973, CCC transferred the maximum amount authorized--\$78,170,000--to the consolidated account. However, the cost distribution showed that expenses applicable to CCC activities amounted to \$100.2 million, or about \$22.0 million in excess of the amount contributed to the consolidated account by CCC.

P. Pooled payment-in-kind certificates

Pursuant to legislation which authorized issuance of payment-in-kind certificates, the Corporation assisted producers in marketing their certificates by making cash advances to them for the full value of the certificates. The certificates were pooled and marketed from the pools for immediate use by the purchasers to obtain delivery of commodities from the Corporation's inventories. Because the certificate payments for which advances were made have been recorded as expense and the amounts advanced are not repayable, the advance and the offsetting obligation to redeem pooled certificates are not shown in the Statement of Financial Condition. At June 30, 1974, the amount of the obligation to redeem pooled cotton and feed grain certificates was \$692,294,177 and \$8,864,242,909 respectively. The same amounts had been advanced.

PRINCIPAL OFFICIALS OF  
THE COMMODITY CREDIT CORPORATION  
DEPARTMENT OF AGRICULTURE  
DURING FISCAL YEAR 1974

	Tenure of office	
	From	To
<u>BOARD OF DIRECTORS</u>		
Earl L. Butz (Secretary of Agriculture)	Dec. 1971	Present
J. Phil Campbell (Under Secretary of Agriculture)	Jan. 1969	Present
Clayton Yeutter (Assistant Secretary of Agriculture)	Mar. 1973	Present
Carroll G. Brunthaver (Assistant Secretary of Agriculture)	June 1972	Jan. 1974
Robert W. Long (Assistant Secretary of Agriculture)	Mar. 1973	Present
Richard L. Feltner (Assistant Secretary of Agriculture)	May 1974	Present
Kenneth E. Frick (Administrator, Agricultural Stabilization and Conservation Service)	Apr. 1969	Present
Don Paarlberg (Director, Agricultural Economics)	Mar. 1969	Present

OFFICERS (note a)

PRESIDENT:

Clayton Yeutter (Assistant Secretary of Agriculture)	Mar. 1974	Present
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Carroll G. Brunthaver (Assistant Secretary of Agriculture)	June 1972	Jan. 1974
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EXECUTIVE VICE PRESIDENT:

Kenneth E. Frick (Administrator, Agricultural Stabilization and Conservation Service)	Mar. 1969	Present
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APPENDIX I

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

OFFICERS (continued)

VICE PRESIDENTS:

David L. Hume (Administrator, Foreign Agricultural Service)	Sept. 1973	Present
Raymond A. Ioanes (Administrator, Foreign Agricultural Service)	Apr. 1962	Aug. 1973
Ervin L. Peterson (Administrator, Agricultural Marketing Service)	June 1972	Present
Edward J. Hekman (Administrator, Food and Nutrition Service)	July 1970	Present
Glen A. Weir (Associate Administrator, Agricultural Stabilization and Conservation Service)	Oct. 1972	Present
Laurel C. Meade (General Sales Manager, Export Marketing Service)	July 1972	Feb. 1974

a/CCC officers are designated according to their positions in the Department.

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