

GAO

Resources, Community, and Economic  
Development Division

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Food and Agriculture  
Issue Area Plan, Fiscal  
Years 1997-99

1999 Update



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# Foreword

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

To ensure that GAO's resources are directed toward the most important issues facing the Congress, each of GAO's 32 issue areas develops a strategic plan that describes its key issues and their significance, the objectives and focus of its work, and the planned major job starts. Each issue area relies heavily on input from congressional committees, agency officials, and subject-matter experts in developing its strategic plan.

The Food and Agriculture Issue Area covers the domestic food and agriculture programs at the Department of Agriculture (USDA), the third largest civilian agency with a budget of about \$55 billion. USDA, and the food and agriculture industry it supports, is a vital part of the lives of millions of Americans. Approximately two-thirds of the Department's budget, or about \$36 billion, is spent on federal food and nutrition assistance programs for needy citizens. Each year, American agriculture accounts for about 13.5 percent of the gross domestic product and for about 9 percent of all exports. In addition, about 23 million Americans have jobs related to the food and agriculture economy.

Approximately 100,000 USDA employees are responsible for implementing programs that support the productivity and profitability of farming and ranching, protect the natural environment, respond to land use issues, ensure food safety, improve the well-being of rural America, promote domestic marketing and the export of food and farm products, conduct biotechnology and other agricultural research, provide nutritional guidance, and provide food assistance to those Americans who need it. These activities are carried out under USDA's seven mission areas: Farm and Foreign Agricultural Services; Rural Development; Research, Education, and Economics; Natural Resources and Environment; Food, Nutrition, and Consumer Services; Food Safety; and Marketing and Regulatory Programs.

GAO's audit and evaluation work in food and agriculture issues focuses on identifying opportunities to improve the efficiency and effectiveness of USDA's activities and operations by streamlining, eliminating, or consolidating government services while reducing taxpayers' costs. The principal issues facing the Congress and the administration in the food and agriculture area are

- determining ways to promote the efficient delivery of food and nutrition assistance programs;
- streamlining USDA to improve efficiency in service delivery; reduce waste, fraud, abuse, and mismanagement in agriculture programs; and promote the use of alternative program delivery mechanisms, such as privatizing, contracting, and charging user fees;
- ensuring that programs aimed at transitioning American agriculture from federally subsidized programs to a greater market orientation under the provisions of the 1996 Farm Bill are effectively implemented;
- ensuring the safety of the American food supply, from both domestic and foreign sources; and
- ensuring that federal programs foster a higher quality of life in rural America (including meeting farm and rural credit needs), efficiently target agricultural research resources to the areas of greatest public need, and respond to the environmental impacts of agricultural production.

In the pages that follow, we describe our key objectives for these important issues for our 3-year planning period (fiscal years 1997-99). This year's update contains some slight changes in emphasis to reflect current congressional interest and available resources. Because unanticipated events may significantly affect even the best of plans, our planning process allows for updating this plan to respond quickly to emerging issues. If you have any questions or suggestions about this plan, please call me or my Associate Director, Robert E. Robertson, at (202) 512-5138.



Larry Dyckman  
Director  
Food and Agriculture Issues

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# Table I: Key Issues

Issue	Significance
<b>Food and nutrition assistance:</b> Can federal food and nutrition assistance be provided more efficiently and economically to meet recipients' needs?	At an estimated cost of about \$36 billion in fiscal year 1998, USDA's federal food and nutrition assistance programs account for about 66 percent of its budget. USDA provides this assistance through 15 separate programs. In 1996, the Congress made significant changes in the food stamp and other food assistance programs under the Personal Responsibility and Work Opportunity Reconciliation Act.
<b>USDA management and budget:</b> Have USDA's reorganization and streamlining efforts improved the delivery of programs, eliminated duplicate activities, and reduced costs?	As a result of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, USDA has been undergoing the most massive reorganization in its history. USDA estimates that it has saved about \$3 billion since 1993 as a result of staff and administrative reductions. USDA has reorganized its programs around 7 missions; reduced the number of USDA agencies from 43 to 30; eliminated about 20,000 staff years; and closed or moved about 1,200 field offices. In addition, because of the 1996 Farm Bill, USDA is reassessing its organizational structure to better deliver some of its programs. The Secretary has recently announced a plan to converge a significant portion of several agencies' administrative functions at the national and state levels thus reducing overall administrative staffing by 44 percent. In light of the many changes ongoing at USDA, some members of the farm community have concerns about the impact of all of these changes on local control of farm programs and services to farmers.
<b>Federal agricultural subsidies:</b> How effectively has USDA implemented initiatives to make U.S. agriculture less dependent on federal subsidies and more oriented to market forces?	The 1996 Farm Bill and the agreements reached under the General Agreement on Tariffs and Trade resulted in sweeping changes to agriculture programs. The Farm Bill promotes the transition of the agriculture sector from programs funded by government subsidies to ones that are more market oriented. Changes include phasing out price and income supports over the next 7 years, providing producers with complete production flexibility, establishing new market promotion programs, and developing alternative programs to manage and reduce farm production risks.

**Table I: Key Issues**

**Objectives**

- Monitor the effect of providing states with greater flexibility and authority to implement food and nutrition assistance programs.
- Identify options to improve the economy and efficiency of federal and state partnerships that provide nutrition programs.
- Evaluate potential areas of waste, fraud, abuse, and mismanagement at both the provider and recipient levels.
- Monitor the progress of USDA's activities under the Reorganization Act of 1994, the Government Performance and Results Act of 1993 (GPRA), the National Performance Review, and other reinvention efforts.
- Provide the Congress with information on USDA's budget items that could be eliminated, consolidated, or reduced.
- Identify opportunities to reduce waste, fraud, abuse, and mismanagement in USDA programs.
- Evaluate how effectively USDA delivers programs in each of its seven mission areas.

**Focus of work**

- Impact of food assistance reforms on state and local service providers; USDA's organization, staffing level, and budget; program recipients; and waste, fraud, abuse, and mismanagement
- Effectiveness of cost-containment strategies that states are using in food assistance programs
- Use of new technologies to reduce waste, fraud, abuse, and mismanagement in food and nutrition programs
- Budgetary and organizational effects of reorganizing and streamlining USDA
- Compliance with GPRA's requirements
- Management and budget reviews of various USDA agencies
- Areas with greatest potential for waste, fraud, abuse, and mismanagement; for example, USDA's procurement programs
- Effects of USDA's restructuring on how USDA delivers programs and services to customers

- Assess how USDA is implementing the market transition activities mandated under the Farm Bill.
- Identify changes to federal programs that would better support U.S. agriculture's market transition.
- Evaluate the strengths and weaknesses of current marketing strategies to improve U.S. agriculture's marketability worldwide and identify "lessons learned" from other nations that have achieved successful market transition.
- Assess nonfederal resources that agricultural producers and rural communities could use to manage and reduce risks associated with farm production.
- Evaluate the effectiveness of existing USDA risk management programs and strategies associated with farm programs.

- Budgetary, organizational, and personnel implications of phasing out federal programs that subsidize agriculture
- Additional options to promote market transition and provide information needed by farmers to make the transition
- Options to improve the worldwide marketability of U.S. products
- Alternative nonfederal ways to manage and reduce farm risk
- Effects of USDA's programs and strategies to manage risk

(continued)

Table I: Key Issues

Issue	Significance
<b>Food safety:</b> How effectively are federal programs ensuring the safety of the American food supply?	Twelve agencies within the federal government spend over \$1 billion annually to administer 35 different laws designed to ensure the safety and quality of the nation's food supply. In July 1996, the President signed new regulations reforming the federal safety rules for meat and poultry. These regulations are aimed at making the food safety system more cost-effective. In addition, the President announced a special initiative adding about \$43 million to the fiscal year 1998 budget and another \$100 million in 1999 for programs to further improve food safety efforts.
<b>Other issue area work:</b> How effectively is the federal government meeting farm credit needs, providing resources for rural credit and development, ensuring that agricultural research resources are being efficiently targeted to the areas of greatest public need, addressing the environmental effects of agriculture, and addressing the economic impacts of the tobacco settlement?	USDA is responsible for programs that (1) supply farm credit to high-risk farmers, (2) provide assistance to rural areas, (3) oversee a worldwide agricultural research system, (4) protect environmentally sensitive land from the effects of production agriculture, and (5) affect tobacco. Farm credit programs are a high-risk area because the government is exposed to billions of dollars of risk from losses on farm loans. Since 1983, the federal government has provided over \$650 billion to help develop rural areas; however, federal efforts have not been well coordinated and have not met the needs of individual communities. The 1996 Farm Bill affected both rural development and farm credit programs. USDA spends about \$2 billion annually for agricultural research, extension, and education programs. The Congress will be monitoring recent changes to USDA's research programs. Resource conservation programs cost about \$1.3 billion a year and have been revised in the 1996 Farm Bill to better focus on significant environmental issues. Finally, under a June 1997 proposed settlement, the tobacco companies would agree to pay about \$368.5 billion over 25 years in return for limits on liability. There is considerable debate over how these and other proposed settlements may affect the economy.



**Table I: Key Issues**

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**Objectives**

- Review federal efforts to ensure the safety and quality of food products from farm to table.
- Evaluate the effectiveness of food safety initiatives and regulations.
- Assess the adequacy of foreign food safety regulations and U.S. controls for ensuring the safety of food imports.
- Assess USDA's internal and financial controls over its farm loan portfolio.
- Review the management and administration of programs provided by USDA's rural credit and development agencies as well as their integration with other farm programs.
- Identify actions the government can take to make the agricultural research system more efficient, productive, and responsive to public needs.
- Review the previously existing and newly established environmental protection programs to assess their cost-effectiveness.
- Assess the impacts of a tobacco settlement on various aspects of the economy.

**Focus of work**

- Efficiency and effectiveness of federal efforts to ensure the safety and quality of food from farm to plant and plant to table
  - Benefits and limitations of the food safety system and enacted changes to the inspection system that ensures food safety
  - Efficient use of federal resources to ensure the safety of imported food for human consumption
  - Effect of credit reform on USDA's losses from farm loans and improving management of its portfolio
  - Adequacy and effectiveness of USDA's management and financial controls in its rural development programs
  - Efficiency and effectiveness of the current structure of agricultural research system
  - Impact of previously existing and new programs on water and soil quality and wildlife habitat
  - Potential impacts of tobacco settlement on national/regional employment, tobacco excise taxes, cigarette smuggling, and profitability of the tobacco companies
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# Table II: Planned Major Work

Issue	Planned major job starts
Food and nutrition assistance	<ul style="list-style-type: none"> <li>•Evaluate the impact of eliminating start-up grants and reducing meal reimbursement rates for child nutrition programs.*</li> <li>•Assess the impacts of states' implementation of the Simplified Food Stamp Program on households in terms of eligibility and benefit levels.</li> <li>•Evaluate states' experiences with food stamp electronic benefit transfer.</li> <li>•Assess state efforts to detect and prevent fraud and abuse in the Special Supplemental Nutrition Program for Women, Infants, and Children.</li> <li>•Assess controls for ensuring ineligible individuals do not receive food assistance benefits.*</li> </ul>
USDA management and budget	<ul style="list-style-type: none"> <li>•Monitor the implementation of USDA's reorganization.*</li> <li>•Monitor USDA's compliance with GPRA's requirements.*</li> <li>•Conduct budget review of food safety programs.*</li> <li>•Identify potential areas for waste, fraud, abuse, and mismanagement in USDA programs, specifically, procurement activities and payments.*</li> <li>•Assess the Farm Service Agency's delivery of service at the county office level.*</li> </ul>
Federal agricultural subsidies	<ul style="list-style-type: none"> <li>•Determine how USDA is implementing Dairy Program Reform mandated under the Farm Bill.*</li> <li>•Assess changes in farmers participation and the government's role in farm operations as a result of the 1996 Farm Bill.</li> <li>•Review USDA's progress in improving the effectiveness and efficiency of the crop insurance program to reduce the risk to farmers during market transition.*</li> <li>•Assess the effects of reducing federal agricultural support on U.S. competitiveness in the worldwide marketplace.</li> <li>•Identify and evaluate tools available to help agricultural producers manage risk.</li> </ul>
Food safety	<ul style="list-style-type: none"> <li>•Evaluate federal efforts to ensure the safety of food products before they are processed.</li> <li>•Assess federal efforts to ensure the safety of animal feed additives.*</li> <li>•Monitor the implementation of new food safety regulations for meat, poultry, and seafood.</li> <li>•Assess what other nations have done to establish a single food safety agency.*</li> <li>•Evaluate the federal imported food control system.*</li> <li>•Determine the adequacy of controls and penalties to deter the entry of unsafe food into this country.</li> </ul>
Other issue area work •Farm credit •Rural credit and development •Agricultural research •Environmental effects •Tobacco settlement	<ul style="list-style-type: none"> <li>•Evaluate the Farm Service Agency's outstanding farm loan portfolio.*</li> <li>•Analyze the impact of USDA's implementation of the credit title of the 1996 Farm Bill.</li> <li>•Analyze the financial condition of USDA's portfolio of loans to rural businesses.</li> <li>•Review the effectiveness of the 1996 Farm Bill's requirements for strategic planning and coordination in rural development programs.</li> <li>•Determine the costs and benefits of USDA's Cooperative Research and Development Agreements.</li> <li>•Identify options for increasing collaboration among USDA, land grant, and private sector scientists in agricultural research.</li> <li>•Assess the effects of the new environmental protection programs established by the 1996 Farm Bill.</li> <li>•Analyze the impact of agriculture on water quality.</li> <li>•Identify the financial impact of a proposed tobacco settlement.*</li> </ul>

\*Ongoing work

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