United States General Accounting Office

GAO

Report to the Ranking Minority Member, Subcommittee on Risk Management and Specialty Crops, Committee on Agriculture, House of Representatives

September 1995

# U.S. DEPARTMENT OF AGRICULTURE

# Foreign Agricultural Service Could Benefit From Better Strategic Planning

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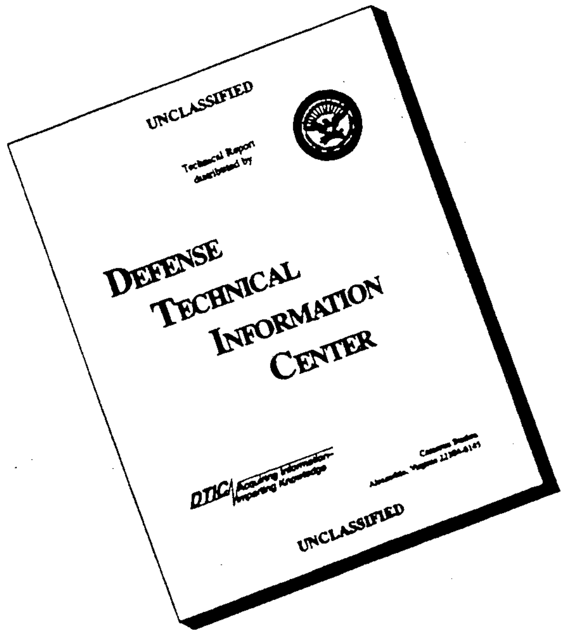


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GAO United States
General Accounting Office
Washington, D.C. 20548

General Government Division

U.S. Dept. of Agriculture: Foreign Agricultural Service Could Benefit from Better Strategic Planning

B-260181

September 28, 1995

The Honorable Charlie Rose
Ranking Minority Member
Subcommittee on Risk Management
and Specialty Crops
Committee on Agriculture
House of Representatives

Dear Mr. Rose:

As you requested, this report provides information on the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS). We conducted a review of FAS to evaluate its use of staff resources in accomplishing its mission. The report discusses overall strategic planning, including USDA's long-term agricultural trade strategy; coverage of FAS overseas locations and use of its foreign service officers; and FAS reporting on agricultural commodities worldwide.

We are sending copies of the report to the Secretary of Agriculture and other interested parties. We will also make copies available to others upon request.

Please contact me on (202) 275-4812 if you have any questions concerning this report. The major contributors to this report are listed in appendix II.

Sincerely yours,

Allan I. Mendelowitz

Allan I. Mendelowitz, Managing Director
International Trade, Finance,
and Competitiveness

# Executive Summary

## Purpose

International agricultural trade has become highly competitive, and the United States increasingly has been confronted with competitors that are using dynamic and sophisticated marketing practices. The Foreign Agricultural Service (FAS), which is within the U.S. Department of Agriculture (USDA), oversees a variety of activities and export promotion programs aimed at increasing U.S. exports of agricultural commodities. FAS' mission statement calls for it to expand foreign markets for U.S. commodities by gathering and reporting information about agricultural commodities in foreign countries (commodity reporting), working to gain access to foreign markets (trade policy), and working to promote increased foreign consumption of U.S. agricultural commodities (market development).

As requested, GAO reviewed FAS to determine if it used its resources in the most effective manner to accomplish its mission. Consequently, GAO reviewed FAS' (1) strategic planning, specifically whether USDA's long-term agricultural trade strategy (LATS) contributed to effective FAS strategic planning; (2) foreign service, particularly whether its operations were planned and managed to use its available resources effectively; and (3) commodity reporting, specifically the extent to which FAS' commodity reporting was an effective use of FAS resources.

## Background

FAS operates a number of export assistance programs. They are (1) "concessional" programs in which recipient countries receive agricultural commodities; (2) commercial programs in which USDA provides credit guarantees to facilitate U.S. agricultural exports or provides subsidy payments that allow U.S. commodities to compete in world markets against the subsidized exports of other countries; and (3) foreign market development programs that are designed to encourage commercial exports through federal subsidies for advertising, trade servicing, and technical assistance. These programs support exports of both bulk commodities (such as wheat or corn) and high-value products (such as fresh fruit and vegetables and processed foods). In fiscal year 1994, FAS made direct outlays in its export assistance programs exceeding $3.16 billion, as well as export credit guarantees valued at about $3.22 billion.

In fiscal year 1995, FAS had an operating budget of about $118 million to carry out its functions and manage various agricultural export promotion programs. As of January 1995, FAS had over 900 employees located at its headquarters in Washington, D.C., and at about 75 overseas offices throughout the world. After passage of the Foreign Service Act of 1980 (P.L. 96-465, Oct. 17, 1980), FAS began to convert certain employees to foreign service officers. As of January 1995, foreign service officers held about 200 of the more than 900 FAS positions. In addition to its employees, FAS has hired about 150 people located at overseas offices on a contract basis to perform certain services.

## Results in Brief

Both the relevant literature and GAO's past work show that effective strategic planning is essential for effective mission outcomes. Among other characteristics, good strategic planning helps an agency to establish overall direction and objectives and to set priorities that are sufficiently specific to differentiate among the many different strategies an agency would like to fund within its budget constraints. Good strategic planning also helps an agency establish measures for gauging progress toward and accountability for meeting its objectives. The key components of FAS' planning for its mission—LATS and country marketing plans, which are mandated by Congress—lacked the specificity and measurable goals that would be necessary to establish priorities and allocate resources efficiently and effectively.

Better strategic planning would also provide FAS management with more options to consider in making the difficult choices all agencies must make in seeking to achieve mission objectives within budget constraints and ensuring that they have the appropriate workforce capacities. In particular, GAO found that FAS decisions concerning its locations of overseas offices and its overall workforce could be done on a more systematic basis and thus enhance the probability of best meeting priority objectives. While FAS has generated annual savings by closing some overseas offices, GAO noted examples in which decisions appeared to be based on local circumstances, such as to avoid increased rent in a given location. FAS' lack of strategic planning has hindered its ability to consider various other options based on a systematic perspective that might have produced even more favorable outcomes toward meeting FAS' strategic objectives. Similarly, FAS' existing policy of having its foreign service officers spend only 50 percent of their time overseas was not part of a strategic planning consideration and raises cost and workforce capacity issues.

Better strategic planning could also help FAS determine the priority tasks of its overseas staff. GAO found that FAS' foreign service officers devote a considerable portion of their time to commodity reporting without the benefit of clear strategic priorities to guide their efforts. This has resulted in a situation where FAS may not be achieving the highest and best use of its specialized overseas staff because that staff may be engaged in producing some reports that may not benefit FAS' overall goal of promoting U.S. agricultural exports. GAO believes that, as FAS revises its strategic planning, it should pursue potential opportunities to reduce and eliminate reporting that does not efficiently contribute to its strategic priorities.

FAS recognizes that its strategic planning has weaknesses and has begun a new LATS study to identify ways to improve such planning. The information and recommendations in this report should help FAS in its efforts.

# Principal Findings

## Strategic Planning Was Inadequate

In the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624, Nov. 28, 1990), Congress recognized the importance of strategic planning by requiring USDA to devise a LATS. Congress intended LATS to guide the Secretary of Agriculture in carrying out federal programs designed to promote the export of U.S. agricultural commodities. USDA was also required to designate priority growth markets and develop country marketing plans that were to set forth strategies for bolstering these priority growth markets.

USDA's LATS, released in January 1993, did little to set meaningful priorities or measurable goals for its programs and resources. For example, the strategy called for "the fullest possible use of all export assistance programs" without identifying which programs or activities were critical or most important. During a congressional hearing in June 1994,[1] an FAS representative testified that stronger FAS efforts at strategic planning were key to taking full advantage of the positive factors that currently exist for expanding U.S. agricultural trade. He acknowledged that LATS lacked priorities and said that LATS needed additional work to become a useful management tool. FAS is currently involved in a major effort to improve its strategic planning. As of August 1995, FAS planned to have a final strategic plan completed in March 1996, which would include a revised LATS as a component.

[1]Hearing on the Long-term Agricultural Trade Strategy and Export Policies, before the Subcommittee on Foreign Agriculture and Hunger, House Committee on Agriculture, June 23, 1994.

USDA's country marketing plans, established for bolstering priority growth markets, were a compilation of short discussions concerning the likely demand for U.S. exports of various commodities within certain countries. However, the compilation of country plans was not specific enough in what needed to be done to increase U.S. exports. For example, the country marketing plans generally contained neither specific or measurable objectives nor other elements that are integral to identify and achieve objectives. These elements could include proposed actions to accomplish objectives, identification of the staff or organization that would work to accomplish the objectives, particulars on how U.S. government agricultural export programs would be used in meeting the objectives, information on the budgetary impact of such initiatives, and performance measures to be used to evaluate progress in meeting the objectives.

## Better Strategic Planning Could Enhance Decisions on Overseas Locations and in Managing Foreign Service Officer Rotations

After determining its mission and its strategic priorities to achieve that mission, an agency should expand its strategic planning to address its most appropriate organizational structure, including geographic locations, and workforce capacity for accomplishing the mission priorities. FAS' lack of an adequate strategic plan has hindered its ability to consider various options from a systemic perspective when making decisions on the location of its overseas posts and agricultural trade offices.[2] In planning these locations, FAS uses very broad criteria that could support such an office in almost any location. Decisions on making changes in FAS posts were driven by ad hoc budget considerations and local circumstances, not based on a strategic plan with established mission priorities. During fiscal year 1994, FAS closed agricultural trade offices in Caracas, Venezuela and London, England. A more systematic approach might have identified even greater cost savings opportunities.

FAS' use of foreign service personnel raises costs and may not use their skills as effectively as possible, which raises workforce capacity issues. Regarding the duration of overseas assignments for foreign service officers, the 1980 Foreign Service Act provided only general guidance to foreign service agencies. FAS policy, established in October 1983, calls for each foreign service officer to serve about 50 percent of his or her career overseas. Foreign service officers at other major agencies with a foreign service, such as the Agency for International Development, the Department of State, and the Department of Commerce, spend between 66

[2]Most countries had a FAS post located at the U.S. embassy. The post was responsible for commodity reporting, trade policy matters, and market development activities. Some countries had, in addition to a post, one or more agricultural trade offices located outside the embassy solely to promote U.S. agricultural products.

and 75 percent of their careers abroad, according to agency representatives. FAS' 50-percent rotation policy means that, at any point in time, about one-half of FAS' foreign service officers should be assigned to headquarters. However, FAS had only 14 headquarters positions specifically designated for foreign service officers. Therefore, most of the foreign service officers in headquarters were occupying civil service positions. Because, as a group, the foreign service officers had a relatively higher grade structure than FAS' civil service employees, the foreign service officers tended to hold a relatively larger number of FAS' higher-level and management positions.[3]

The large number of foreign service officers serving at any time at headquarters created management concerns and increased FAS' costs. A 1993 FAS reorganization proposal cited various concerns with assigning foreign service officers to positions in Washington. In interviews GAO conducted with foreign service officers and members of one headquarters division, FAS representatives expressed concerns about several issues. These issues included (1) the lack of continuity created by having foreign service officers manage FAS programs for limited time frames and (2) the poor professional relations that often existed between foreign service officers and civil service employees. Furthermore, foreign service officers cost more than civil service employees performing similar jobs at headquarters. If FAS were to adopt a policy similar to the practices of other agencies whose officials said that their foreign service officers serve between 66 and 75 percent of their careers abroad, FAS could maintain its current level of foreign representation at a lower cost because a smaller overall officer corps would be needed. This would lower the cost of headquarters operations because fewer foreign service officers would be used in civil service positions. Foreign service positions are generally higher cost than comparable civil service positions largely because of retirement benefits and the high cost of travel and other cost associated with overseas rotations.

## Some Commodity Reporting May Not be Needed to Meet Strategic Objectives

Once an agency has determined its mission, its strategic priorities for achieving its mission, the most appropriate organizational approach, and the workforce capacity that it needs, the agency should ensure that it makes the highest and best use of its workforce. GAO found indications

[3]In May 1993, FAS had 99 of its 203 foreign service officers serving in headquarters positions. The 85 foreign service officers serving in civil service positions at headquarters represented only 13 percent of the civil service positions, but they were largely assigned high-level positions. Foreign service officers held 23 of 60 civil service positions at grades 15 and above (or about 38 percent).

that FAS operations may not always meet this criterion, specifically relating to commodity reporting completed by FAS' overseas workforce.

In March 1994, FAS completed a review of its commodity reporting system. The review resulted in FAS' eliminating some reports, reducing others, and providing additional reports for many high-value products. However, GAO believes FAS' review did not go far enough in assessing the need for such an extensive reporting system or in determining how best to meet the information needs of U.S. exporters. Part of the issue is that FAS gathered input for reviewing the value of existing reports largely from FAS' own foreign service officers and analysts; it did not systematically solicit the views of exporters and others in U.S. agriculture to learn what they wanted or needed in terms of information.

GAO reviewed in depth the commodity reporting done on five commodities—honey, dairy products, cotton, coffee, and grain and feed. While some commodity reporting often did serve many functions, GAO interviewed exporters and USDA analysts and found that some of the reporting was put to little use. Those interviewed cited examples of commodity reports containing great amounts of detail that they did not use. They also told GAO that they primarily relied on other sources of information, especially for market information.

For example, FAS required scheduled dairy reports in 1992 from 37 countries. These countries were chosen mostly because they were significant producers of dairy products. GAO's review found that the dairy reports got little use in supporting USDA export programs. In one case, the major foreign program involving dairy products is the Dairy Export Incentive Program, which provides export subsidies to U.S. dairy producers. Instead of relying on its own dairy reports, however, FAS used United Nations (U.N.) trade data to help administer the program because U.N. data provided more comprehensive and uniform world coverage. Moreover, industry representatives said FAS dairy reports and circulars were helpful as background information, but the representatives were able to provide few specific examples of their use. The representatives also said that they did not rely on FAS dairy reports to identify export opportunities.

Significant changes have occurred in the world in the past 30 years that affect commodity reporting. In particular, numerous sources other than FAS now exist that provide information on world agriculture. Thus, FAS appears to be devoting some of its scarce resources to duplicating information available elsewhere. As previously mentioned, FAS used U.N. trade data to administer its Dairy Export Incentive Program. In another example, FAS spent considerable resources reporting from the countries of the European Union. Those in private industry whom GAO interviewed said that it is easy to get reliable data from West European governments and that some of FAS' reporting from the region may be duplicative. FAS may be able to more efficiently use its resources by reducing and eliminating reporting that does not contribute to its primary mission of increasing exports.

## Recommendations

To more effectively and efficiently use FAS resources to help increase U.S. agricultural exports, GAO recommends that the Secretary of Agriculture direct the Administrator of the Foreign Agricultural Service to:

- Ensure that the strategic plan under development as well as the revised LATS and country marketing plans better reflect the criteria discussed in this report, including differentiation among priorities and appropriate measures for gauging progress and ensuring accountability.
- Devise and implement a strategy to better ensure that decisions on locations of overseas offices involve consideration of options derived from a systemic as well as a local circumstance perspective. An element of such a strategy would be an assessment of the cost effectiveness of the locations of overseas offices.
- Reevaluate FAS workforce capacity needs for both the foreign service cadre and other workforce components. An essential part of this reevaluation would be a reassessment of the 50-percent rotation policy with a view toward increasing the amount of time that foreign service officers serve overseas.
- Ensure that its commodity reporting system contributes to FAS' strategic priorities. In doing so, the Administrator should ensure that commodity reports meet the needs of external and internal users and do not unnecessarily duplicate information available from other sources.

## Agency Comments

FAS provided written comments on a draft of this report. The comments are discussed at the end of chapters 2, 3, and 4.

FAS acknowledged that its strategic planning processes need improvement and that it was working to develop a strategic planning process that facilitates resource allocation decisions while meeting other requirements, such as performance measurement and the budget process. FAS stated it plans to use this GAO report to guide its efforts to complete a strategic plan by March 1996. Although FAS agreed that its planning process could be improved, it disagreed that recent decisions to close certain offices were driven by ad hoc budget considerations and local circumstances. Rather, it said those decisions were made using a "post-ranking analysis" and other factors. Nonetheless, FAS agreed that, once a new strategic planning process is in place, decisions on office locations would benefit from a clearer focus on mission priorities and resource allocation.

FAS also agreed that workforce capacity issues need to be reexamined and noted that an agency task force is currently examining how FAS operates its dual-personnel system, including its foreign service rotation policy. In doing so, however, FAS stated that it believes U.S. agriculture has benefited from having foreign service officers work a substantial portion of their careeer in Washington, D.C., to gain the expertise needed to succeed in the field. GAO believes that, as a part of its study of these issues, FAS should carefuly consider both the higher costs and inefficiences that occur when foreign service officers spend large amounts of time in Washington and the benefits of gaining Washington experience.

FAS agreed that excessive commodity reporting and duplicating the efforts of others should be avoided. FAS said that it plans to question the extent of commodity reporting as it develops its strategic planning process and will consider the results of GAO's analysis in that effort. However, FAS expressed the belief that GAO judged the value of commodity reporting solely on the basis of comments by external subscribers to FAS circulars. FAS emphasized that internal USDA organizations are also customers of these reports. GAO noted that its analysis included a wide range of users of commodity reports, both within USDA and in the farm industry.

# Contents

## Appendixes



## Table



**Abbreviations**

| | |
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| ASCS | Agricultural Stabilization and Conservation Service |
| ATO | agricultural trade office |
| FAS | Foreign Agricultural Service |
| GATT | General Agreement on Tariffs and Trade |
| GSM | General Sales Manager |
| LATS | Long-term Agricultural Trade Strategy |
| P.L. | public law |
| U.N. | United Nations |
| USDA | U.S. Department of Agriculture |
| USTR | Office of the U.S. Trade Representative |

# Introduction

Within the U.S. Department of Agriculture (USDA), the Foreign Agricultural Service (FAS) oversees a variety of activities and export promotion programs aimed at increasing U.S. exports of agricultural commodities. The FAS mission statement calls for FAS to expand foreign markets for U.S. commodities by (1) gathering data on foreign markets (commodity reporting), (2) attempting to gain access to foreign markets (trade policy), and (3) working to promote increased foreign consumption of U.S. agricultural commodities (market development).

FAS attempts to advance the efforts of the agricultural community to sell U.S. food and agricultural products overseas. From an employment perspective, FAS estimated that 1 million jobs are associated with U.S. agricultural exports each year. Strong export performance contributes to the health of U.S. agriculture and the health of the U.S. economy overall.

## Background

Created in 1953, FAS is headed by an administrator and has five organizational units, called "program areas," each headed by a deputy administrator. These program areas report to associate administrators or to the General Sales Manager (GSM). In general, these program areas perform work according to FAS functions, such as trade policy (International Trade Policy); work in foreign locations (Foreign Agricultural Affairs); commodity analysis, reporting, and promotion (Commodity and Marketing Programs); export programs (Export Credits); and international training and development programs (International Cooperation and Development).

For fiscal year 1995, FAS has a budget of about $118 million to carry out its functions and manage various agricultural export promotion programs. In fiscal year 1994, FAS made direct outlays in its programs exceeding $3.16 billion, as well as export credit guarantees valued at about $3.22 billion. These programs supported exports of both bulk commodities (such as wheat or corn) or high-value products (such as fresh fruit and vegetables and processed foods).

As of January 1995, FAS had over 900 employees located at its headquarters in Washington, D.C., and at about 75 overseas offices covering more than 130 countries throughout the world. After passage of the Foreign Service Act of 1980 (P.L. 96-465, Oct. 17, 1980), FAS began to convert certain employees to foreign service officers. As of January 1995, foreign service officers held about 200 of the over 900 FAS positions. In addition to its employees, FAS has hired about 150 people located at overseas offices on a contract basis to perform certain services.

## FAS' Export Assistance Programs

FAS operates a number of export assistance programs, which are either concessional programs, commercial programs, or export promotion programs. In FAS' concessional programs, recipient countries receive agricultural-related foreign aid. For example, title I of Public Law 480[1] is a food aid and market development program aimed at developing a presence in such markets and supporting their economic growth. Under title I, U.S. agricultural commodities are sold to developing countries on long-term credit at below-market interest rates. The current goal of the program is to promote the foreign policy of the United States by enhancing the food security of developing countries.

FAS' commercial programs are those in which the terms of the agricultural commodity sales fall within the prevailing world market prices—the GSM export credit guarantee programs (GSM-102 and GSM-103)[2] and the Export Enhancement Program. The GSM export credit guarantee programs are designed to increase the willingness of U.S. banks to extend credit for U.S. agricultural exports. Under these two programs, financial institutions in the United States provide financing for individual commodity sales to foreign buyers. If the foreign buyer fails to make its repayments as scheduled, then the U.S. government, through the Commodity Credit Corporation,[3] will repay the financing institution. In this way, USDA attempts to reduce the risks for U.S. banks and exporters involved in selling U.S. agricultural products overseas.

Under the Export Enhancement Program, USDA pays cash to U.S. exporters as bonuses, allowing them to sell certain U.S. agricultural products in targeted countries at prices that are competitive with those offered by other countries that provide subsidies. Three other export subsidy programs are aimed at allowing U.S. commodities to compete in world

[1]The Food for Peace Act, formally known as the Agricultural Trade Development and Assistance Act of 1954, established the legal framework for U.S. food aid.

[2]The GSM-102 program guarantees repayment of short-term financing (6 months to 3 years) extended to eligible countries that purchase U.S. farm products. The GSM-103 program guarantees repayment of intermediate-term financing (3 to 7 years) extended to eligible countries that purchase U.S. farm products.

[3]The Corporation was created within USDA to stabilize, support, and protect farm income and prices. Among other things, the Corporation is responsible for supporting agricultural prices through loans, purchases, payments, and other operations. Its charter also authorizes the sale of agricultural commodities to other government agencies and to foreign governments, as well as food donations to domestic, foreign, or international relief agencies.

markets against the subsidized exports of other countries—the Sunflowerseed Oil Assistance Program, the Cottonseed Oil Assistance Program, and the Dairy Export Incentive Program.

FAS' export promotion programs—the Foreign Market Development Program (or Cooperator Program) and the Market Promotion Program—are designed to encourage commercial exports through payments for advertising, trade servicing, and technical assistance. The costs for these programs are shared between USDA and producer-funded nonprofit agricultural trade associations or private companies. The Market Promotion Program helps to finance overseas promotional activities that develop, maintain, or expand U.S. agricultural exports. USDA partially reimburses program participants (trade organizations or private firms) that conduct approved development activities for eligible products in specified foreign markets.

## Objectives, Scope, and Methodology

We reviewed FAS to determine how well its strategic plan guided the use of its resources to accomplish its mission. The purposes of our review concerned FAS' (1) strategic planning, specifically whether USDA's long-term agricultural trade strategy (LATS) contributed to effective FAS strategic planning; (2) foreign service, particularly whether its operations were planned and managed to efficiently use its available resources; and (3) commodity reporting, specifically the extent to which FAS' commodity reporting is an effective use of FAS resources.

To assess whether LATS has contributed to the effective strategic planning of FAS, we reviewed the LATS document and FAS' country marketing plans in light of relevant literature and our past work on related issues at other federal departments and agencies. Congress had required USDA to prepare, before October 1991, a LATS to promote U.S. exports. USDA was also required to designate priority growth markets and devise country marketing plans to propose strategies for bolstering U.S. exports to these markets. We reviewed USDA records and held discussions with FAS representatives at its headquarters in Washington, D.C.

To determine whether FAS planned and managed its foreign service resources efficiently, we reviewed the (1) location of overseas offices and (2) rotation of foreign service employees between headquarters and foreign assignments. We reviewed FAS policies on these issues, examined FAS documents, and held discussions with FAS representatives. We analyzed data on the duration and location of overseas tours for FAS foreign service officers from November 1981 (the date of FAS conversion to a foreign service agency) to June 30, 1993. In addition, we held discussions about management of foreign service personnel with representatives of the other major agencies that have a foreign service system, including the Department of State, the Department of Commerce's U.S. and Foreign Commercial Service, the U.S. Information Agency, the Agency for International Development, and USDA's Animal and Plant Health Inspection Service.

To determine whether FAS' commodity reporting is an effective use of resources, we reviewed in depth the commodity reporting done on five commodities—honey, dairy products, cotton, coffee, and grain and feed. The five commodities were chosen to include a major commodity (grain and feed) and a minor commodity (honey), as well as an export-oriented commodity (cotton) and an import-oriented commodity (coffee). The commodities represent a subjective cross section of the commodities reported on by FAS foreign service officers. We spoke with a wide range of users, within both USDA and the U.S. farm industry, of the commodity reports and of the commodity circulars FAS produced from the reports. We also spoke with FAS foreign service officers, examined FAS' review of its commodity reporting system, and analyzed the revised schedule for commodity reporting resulting from its review.

We did our work in accordance with generally accepted government auditing standards from September 1993 to June 1995. We obtained written comments on a draft of this report from the Acting Administrator of FAS. The comments are discussed at the end of chapters 2, 3, and 4, and the full text of the comments can be found in appendix I.

# Inadequate Strategic Planning

Our management and program reviews of departments and large agencies across government have shown that many of these organizations lacked consensus on their mission and the results that they expect to achieve. Even when missions seemed relatively clear, the agencies had not established a systematic process to identify and address critical issues, including the allocation of resources, to meet their mission and achieve their desired results. Reliable performance measures had not been developed and used to gauge progress, improve performance, and establish accountability.

We found a similar situation at FAS. Although FAS' mission to promote the export of U.S. agricultural commodities seems clear, the components of FAS' planning for its mission—LATS and country marketing plans—lacked the specificity and measurable goals that would be necessary to establish priorities and allocate resources efficiently and effectively to promote the export of U.S. agricultural commodities. FAS is currently involved in a major effort to improve its strategic planning, which is expected to be completed in March 1996.

## Strategic Marketing Is Essential to Compete Effectively in World Markets

Markets are emerging in East Asia, Eastern Europe, and elsewhere that show potential for becoming major consumers of U.S. agricultural products. And high-value products, such as fresh fruit and vegetables and processed foods, are becoming an increasingly important component of trade. At the same time, international agricultural trade has become highly competitive, and the United States has been increasingly confronted with competitors that are using aggressive and sophisticated marketing practices. New and wider opportunities for increasing U.S. exports through greater market access have also become available due to the multilateral trade agreement of the General Agreement on Tariffs and Trade (GATT).[1]

FAS' role in strategic marketing includes devising a LATS that identifies priority markets and growth potential. LATS should focus on products that are likely to satisfy consumer needs in those markets. Strategic marketing should help ensure that products are priced competitively, distributed efficiently, and promoted effectively. And strategic marketing should

[1]GATT, created in 1947, is the primary multilateral agreement governing international trade and was founded on the belief that more liberalized trade would help the economies of all nations grow.

continually innovate to help U.S. agriculture adapt to changing markets and stay ahead of the competition.[2]

## Long-Term Agricultural Trade Strategy Was Not a Useful Management Tool

Congress required USDA to develop LATS as a long-term plan to expand foreign markets for U.S. agricultural commodities. LATS was to designate priority growth markets and to devise country marketing plans to propose strategies for these growth markets. USDA submitted LATS to Congress in January 1993, which was about 15 months after the October 1991 deadline. At the same time, the country marketing plans were made available to Congress. LATS and the country marketing plans did not set priorities among 177 country/commodity "priority" markets or set measurable objectives to guide agricultural programs and their resources.[3]

Required under the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624, Nov. 28, 1990), LATS was intended to guide the Secretary of Agriculture in carrying out federal programs designed to promote the export of U.S. agricultural commodities. The specific goals cited in the act were to ensure the (1) growth in exports of U.S. agricultural commodities, (2) efficient coordinated use of federal programs for promoting the export of U.S. agricultural commodities, (3) provision of food assistance and an improvement in the commercial potential of markets for U.S. agricultural commodities in developing countries, and (4) maintenance of traditional markets for U.S. agricultural commodities.

FAS worked with other USDA agencies to prepare a fall 1991 draft of LATS. Due to political events in the former Soviet Union and Eastern Europe, however, some of the initial detailed analyses covering potential export markets became outdated and were revised. In January 1992, LATS was cleared by 15 USDA agencies, but did not receive its Department-level clearance because it was not viewed as constituting a true strategy and was deemed as inflexible from the perspective of export program management. During 1992, FAS updated the LATS data and worked to improve its strategy. USDA then submitted LATS to Congress in January 1993.

In the LATS introduction, USDA stressed that LATS was a guide for USDA's efforts to promote agricultural trade; LATS was not intended to be a form of

[2]See U.S. Department of Agriculture: Strategic Marketing Needed to Lead Agribusiness in International Trade (GAO/RCED-91-22, Jan. 22, 1991).

[3]See U.S. Department of Agriculture: Improvements Needed in Foreign Agricultural Service Management (GAO/T-GGD-94-56, Nov. 10, 1993).

"managed trade" to direct export strategies for the private sector. LATS specifically stated that no illusions exist that LATS or government can ensure a successful agricultural export sector—success depends on individual farmers, business people, and workers. LATS further stated that the proper coordination of domestic programs, export programs, and trade policy efforts should provide the maximum return to support the private sector in its activities to promote exports of agricultural commodities.

LATS included narrative on (1) trends in U.S. agricultural market share, including a historical narrative on total agriculture trade, bulk commodities, intermediate commodities, consumer-oriented products, and forest products; (2) growth in and pattern of world trade, as well as prospects for agricultural sales to developed and developing countries; and (3) USDA strategies for supporting agricultural exports.

The USDA strategies for supporting agricultural exports included a discussion of U.S. trade policy, domestic programs, and export programs. Concerning trade policy, LATS suggested that trade liberalization on a multilateral basis would offer the best prospects for expanding U.S. exports, but the full benefits of trade negotiations under the Uruguay Round of the GATT are not likely to be felt until 1997. This date is beyond the period covered by LATS. Regarding domestic programs, LATS stated that, among other things, domestic farm programs must enhance U.S. agricultural exports and not inhibit or limit exports by reducing production, increasing prices, or limiting the volume of exports. Other items in LATS included (1) building U.S. exporter skills, which is an educational effort aimed at current and potential U.S. exporters; (2) emphasizing development of new products and enhancement of the quality of existing commodities and products; (3) increasing importer education so that potential buyers better understand how FAS programs operate; and (4) building markets for U.S. products in developing countries.

The relevant literature and our past work on related issues at other federal departments and agencies indicate that a good strategic planning process should help the agency to identify and resolve key issues. More specifically, a good planning process should enhance an agency's ability to address fundamental questions, including the following:

- Where is the agency going? (Direction)
- How will it get there? (Strategies)
- What is its blueprint for action? (Budget)

- How will it know it is achieving its direction? (Accountability)

Thus, effective strategic planning includes a number of elements. These elements include establishing specific objectives; setting priorities among the objectives; identifying strategies for accomplishing the objectives; determining the most appropriate organizational structure, geographic location, and workforce capacities for accomplishing the objectives; and developing performance measures suitable for gauging progress and ensuring accountability.

The LATS document completed in January 1993 does not meet several of these criteria and, as a result, does not provide sufficient specificity in terms of direction, priorities, performance measures, and accountability. LATS, and specifically the strategies for supporting U.S. exports, represented a discussion on the status of U.S. agriculture trade and general approaches to increased exporting—not a plan for increasing U.S. agricultural exports through the use of USDA's programs and resources. Most importantly, concerning USDA export programs, LATS called for "the fullest possible use of all export assistance programs" without identifying which programs or activities were critical or most significant. In our opinion, LATS could be a more useful management tool for effectively allocating FAS resources and meeting program objectives.

## Country Marketing Plans Did Not Differentiate Among a Large Number of Priorities

USDA was also required to designate priority growth markets and devise country marketing plans to propose strategies for bolstering U.S. exports to these growth markets. The country marketing plans, also completed in January 1993, did not set priorities among 177 country/commodity "priority" markets or set specific resource goals to guide their programs designed to promote the export of U.S. agricultural commodities.

The country marketing plans were a compilation of short discussions concerning the likely demand for U.S. exports of various commodities (or commodity groups, such as dairy products) within certain countries. The document included the 15 countries considered to be the top markets for bulk commodities, as well as the 15 countries considered to be the top markets for consumer-oriented products. A number of priority commodities were listed for each country within the two groups, ranging from a low of 1 commodity to a high of 12 commodities. In total, the document included 177 priorities.

In general, the compilation of country plans did not meet the criteria presented above in that it was not specific enough about what needed to be done to increase U.S. exports and did not differentiate among numerous priorities. The compilation of country plans listed the countries and commodities alphabetically, without setting priorities for the 177 entries. Most importantly, the country marketing plans generally contained neither specific or measurable objectives nor other elements that are integral to identifying and achieving measurable objectives.

The document's discussion of the priority commodities or commodity groups was often very short (in many cases only one paragraph), covered the current situation with the respective commodity within the country, and set forth only a general plan or strategy. For example, the strategy for promoting U.S. fruit juice in one country was that "the marketing strategy should focus on increasing consumer awareness of U.S. products."

Moreover, for many of the 177 priority country/commodity markets, we found that the document's language in the discussion of the commodities suggested that the potential for U.S. exports and the strategy for increasing exports had not been established. For example, the narrative for promoting U.S. fruit and vegetable juice for one country said that "there could be a niche market for quality citrus juices that U.S. exporters might be able to penetrate. Market research on this possibility should commence and if the results are positive, promotional support should follow." In other cases, the discussion of the specific commodity or commodity group ended without any language at all about a possible action to take or strategy to use.

The following is an example of a typical discussion contained in a country marketing plan. The example covers coarse grains, which was one of four priority commodities for country A.[4] Country A represented 1 of 15 countries considered to be top markets for bulk commodities:

"Population and income growth will stimulate demand for derivative products, such as poultry, and lead to government relaxation of import restrictions. [Country A] is a net exporter and will continue to be over the near term. Nevertheless, the outlook is that [the country] will eventually become a large net importer.

[4]FAS decided not to release the country marketing plans since FAS believes it would give U.S. competitors an unique insight into where the U.S. government planned to deploy its resources and what tactics it would utilize. As a result, we have substituted "country A" for the actual name of the country.

"Price is the main factor influencing exports in this market, so U.S. exports must meet the price levels of the competition. Since [the country] is still a net exporter of coarse grains, the short-term strategy is to maintain a presence in the market through trade servicing and technical services."

This example illustrates the lack of specificity in country plans on what was required to increase exports. The example contains neither specific or measurable objectives nor other elements that are integral to identify and achieve objectives. In addition, the country marketing plan did not provide a carefully developed strategy for bolstering U.S. exports into this priority market and for using USDA programs and resources.

## FAS' Views on the Use of LATS and Country Marketing Plans

Because LATS and the country marketing plans had a limited distribution, we asked an FAS representative how the documents were being used to meet the mandate of the legislation and guide the day-to-day conduct of FAS work. He told us that FAS used the country marketing plans to help evaluate various applications for funding promotional activities under the market promotion program. He said FAS also used the country marketing plans during the application process to encourage or discourage the use of program funds in certain markets. However, we found that the country plans were not being employed as part of a broader effort to develop a long-term plan that would help U.S. exporters focus on the most promising markets. Using the country marketing plans in administering one FAS program does not equate to using LATS to more effectively achieve the agency's overall goals and objectives.

The FAS representative also said that devising LATS and the country plans became a very difficult and sensitive task because one consequence of these plans could be the promotion of one commodity to the detriment of another commodity. For example, he said that promoting certain feed grains could have a negative impact on the beef/poultry industry. Countries could use imported feed grains to help expand their domestic beef or poultry industries at the expense of beef or poultry imports from the United States. The result of LATS could involve major changes in funding for various participants in USDA programs, thus adversely affecting certain segments of the nation's farm sector.

During a congressional hearing in June 1994,[5] an FAS representative testified that stronger FAS efforts at strategic planning were key to taking

[5]Hearing on the Long-term Agricultural Trade Strategy and Export Policies, before the Subcommittee on Foreign Agriculture and Hunger, House Committee on Agriculture, June 23, 1994.

full advantage of the positive factors that currently exist for expanding U.S. agricultural trade. He acknowledged that LATS lacked priorities and that it needed additional work to become a useful management tool.

FAS is currently involved in a major effort to improve its strategic planning as well as to meet the requirements of LATS, the Trade Policy Coordinating Committee (an organization of government agencies aimed at developing and implementing a governmentwide strategic plan for export promotion programs), the Government Performance and Results Act, and the National Performance Review. The latter two requirements involve the development of performance standards to measure progress on specific programs. FAS plans to identify the common elements of these processes and combine them into a single, unified budgetary strategic planning process. Two common elements are expected to be the (1) use of performance measures to assist resource allocation decisions and (2) identification of the overseas locations to use the resources. As of August 1995, FAS planned to have a final strategic plan in March 1996, which would include a revised LATS as a component.

## Conclusions

Strategic planning is essential for FAS to meet its mission of increasing U.S. agricultural exports as well as to effectively manage its resources and various programs and activities. Effective strategic planning includes a number of elements, such as proposed actions to accomplish objectives, identification of the staff or organization that would work to accomplish the objectives, particulars on how U.S. government agricultural export programs would be used in meeting the objectives, information on the budgetary impact of such initiatives, and performance measures to be used to evaluate progress in meeting the objectives. FAS recognizes that the current LATS has shortcomings in several of these areas and has begun a review to identify potential improvements. A revised plan would be a more useful tool for guiding and allocating resources among FAS export promotion programs and activities.

## Recommendation

We recommend that the Secretary of Agriculture direct the Administrator of the Foreign Agricultural Service to ensure that the strategic plan under development as well as the revised LATS and country marketing plans better reflect the criteria discussed in this report, including differentiation among priorities and appropriate measures for gauging progress and ensuring accountability.

## Agency Comments and Our Evaluation

FAS concurred with our conclusions that LATS did not provide the basis for effective strategic planning. FAS said that LATS (1) lacked the specificity to guide the allocation of program and activity resources to achieve those objectives and (2) did not establish measures for gauging progress or accountability for meeting the objectives. FAS indicated that it is committed to pursuing an effective strategic planning process and is developing a process to integrate statutory and administration initiatives related to strategic planning, called the "Unified Budgetary Strategic Planning Process." The process takes the requirements of the administration's initiative, "the National Performance Review," along with statutory requirements of the Trade Promotion Coordinating Committee, the Government Performance and Results Act, and LATS and unites them with the annual budget process. FAS says, in so doing, it plans to ensure that the performance measures and planning demands of each of the components are met uniformly in the most efficient manner possible.

While FAS agreed that LATS was inadequate to guide agency planning and the need exists for an improved LATS process, FAS does not believe that past agency decisions associated with overseas office locations, foreign service personnel policy, and commodity reporting have been adversely effected by the lack of adequate strategic planning.

As discussed in this report, we believe that improvements to the strategic planning process at FAS are necessary, and can provide a systematic basis for FAS' decisions relating to the location of overseas offices, workforce capacity issues, and commodity reporting. We support FAS' current efforts to develop a comprehensive and integrated strategic planning process.

FAS believes that its strategic planning process will address many of the issues raised by both us and FAS senior staff concerning the agency's overseas office selection process, foreign service rotation policy, and commodity reporting requirements. FAS plans to use our recommendations to guide its efforts to complete a strategic plan by March 1996.

# Weaknesses in Planning Overseas Operations

After determining its mission and strategic priorities for achieving that mission, an agency should expand its strategic planning to address the most appropriate organization structure, including geographic locations, and workforce capacity for accomplishing the mission priorities. This positions the agency to apply its resources from a systematic perspective.

FAS' lack of an adequate strategic plan has hindered its ability to consider various options from a systematic perspective when making decisions on the location of its overseas offices and the workforces that staff those offices. Decisions on establishing or closing offices have been driven primarily by ad hoc budget considerations and local considerations, not based on a strategic plan with established mission priorities. As a result, these decisions may not have produced the best overall systematic outcome. FAS' policies on the rotation of its foreign service officers raise workforce capacity issues.

## Decisions on Overseas Office Locations Were Not Based on a Long-Term Marketing Strategy

An effective strategic planning approach to FAS overseas operations would define the need for each overseas office with regard to FAS' mission of increasing U.S. agricultural exports as well as the genuine needs of the users of FAS overseas services, primarily U.S. agricultural exporters. FAS representatives have recognized that budget concerns existed in its management of overseas locations. Yet the criteria for establishing and closing overseas offices have remained broad, and decisions have been driven primarily by ad hoc budgetary considerations, not by an overall long-term strategic plan or marketing strategy that established mission priorities.

### FAS Has Very General Criteria for Overseas ATO Locations

FAS has criteria for locating its overseas offices and agricultural trade offices (ATO),[1] but they are so general that FAS could use them to justify locating an overseas office in almost any country worldwide. The criteria, which FAS representatives summarized, specify that positive advantages should exist to U.S. agricultural interests in maintaining a U.S. agricultural officer in the locality for long-range or temporary promotion of U.S. agricultural policy and exports. The criteria also stipulate that a need should exist for agricultural reporting in the chosen locality in accordance with long-range U.S. agricultural interests. The criteria include various

[1]The number and type of FAS offices have varied within each country. Most countries had an FAS post located at the U.S. embassy, which was responsible for commodity reporting, trade policy matters, and market development work. Some countries had both an FAS post located within the U.S. embassy and one or more ATOs located outside of embassy grounds solely to promote U.S. agricultural products. Some overseas offices covered multiple countries.

operational considerations as well, specifying the necessity of support by the U.S. Ambassador, the availability of funding, the handling of security issues, the availability of housing or office space, and the need to support other USDA agency personnel and programs.

FAS representatives said that, in reallocating resources among overseas offices, FAS makes substantial use of trade and economic data and also considers a variety of other factors. These factors include (1) major political changes, such as the breakup of the Soviet Union; (2) marketing trends that may not have appeared in the trade and economic data; (3) emergencies created by terrorism and natural disasters; (4) political changes that might affect various FAS export programs; and (5) living conditions at an overseas office, such as the health risk of contracting a fatal strain of malaria at an overseas office in Africa.

The responsibility for deciding where offices should be located falls on the FAS Administrator, based on recommendations from the Executive Advisory Group, which is comprised of FAS associate and assistant administrators. According to an FAS representative, the Executive Advisory Group functions somewhat like a private corporation's board of directors. The minutes of the group's meetings disclose changes in office locations when they occur, but do not document the rationale for the changes.

We first identified issues relating to the criteria for the locations of overseas offices in a January 1992 report covering ATOs.[2] We found that USDA had established specific criteria and a methodology for selection of the sites for the first several ATOs it set up. However, we found no indication that the criteria and the methodology had been used in selecting later sites. Also, we said that documentation of office location decisions was no longer available in most cases. As a result, USDA could not readily demonstrate that existing or proposed ATOs at the time were in the best locations for maximizing market development opportunities for U.S. agricultural products. USDA representatives said that certain factors, such as the critical mass of market activity, the potential for market development, and the need to facilitate a U.S. trade presence, were considered when selecting a site. As we reported, these factors were so broad that FAS could have used them to justify placing an ATO in almost any country.

[2]See International Trade: Agricultural Trade Offices' Role in Promoting U.S. Exports Is Unclear (GAO/NSIAD-92-65, Jan. 16, 1992).

## Decisions on Overseas Locations Have Been Based on Situational Versus Systemic Considerations

FAS representatives told us that for several years FAS has been working with severely limited resources and that costs have increased substantially in its overseas operations. They said that the U.S. agricultural industry would like more coverage overseas, but FAS does not have the resources for greater activities. FAS is constantly having to reallocate resources to meet new needs and, in a few instances, has opened new locations or added staff to existing locations. FAS representatives also told us that decisions on office locations were the result of difficult choices among many competing needs and that the Executive Advisory Group strived to maximize the return from its severely limited resources.

FAS has completed two post-ranking exercises for categorizing workload and responsibilities at post locations. The exercises, completed in April 1992 and September 1993, were intended to provide a quantitative tool for allocating staff resources and reducing overseas administrative costs. In the post-ranking exercise completed in September 1993, overseas posts in which FAS had a presence were assessed on eight factors, mainly involving trade and demographic data, commodity reporting requirements, USDA spending on various programs, and trade policy matters. The ranking showed which overseas offices had greater or lesser workloads and responsibilities relative to other offices. The report contained no conclusions or recommendations. Furthermore, FAS representatives told us that FAS made little use of its post-ranking exercise in deciding on changes in post locations and staffing.

FAS has made many reductions in the locations and staffing of its overseas offices and ATOs over the past 2 years. For example, during fiscal year 1994, FAS closed ATOs in Caracas, Venezuela and London, England. In those cases, the marketing activities were transferred to the FAS overseas office located at the U.S. embassy. FAS representatives also said that FAS has considered closing other ATO locations. In Russia, FAS moved from commercial office space to space within the U.S. embassy to save office space rental costs. During fiscal year 1993, FAS closed a number of overseas offices including Panama City, Panama; Berlin, Germany; and Bern, Switzerland. FAS representatives told us that, although other factors were considered, changes in ATO and FAS office locations primarily were driven by overall budget constraints.

For example, FAS closed the London ATO in August 1994, even though London was considered to be an important office. In a September 1993 post-ranking exercise, London had been ranked the eighth most important market out of 48 markets reviewed for the projected level of workload and responsibilities. The review included marketing (the ATO responsibility), as well as commodity reporting, trade policy, and other office activities. A FAS representative told us that high operating costs had been the basis for the decision to close the office and that the market development activities would be managed through the FAS office located at the embassy. FAS estimated the savings at about $928,000 per year.

In another example, FAS closed the Caracas ATO in December 1993. In the September 1993 post-ranking exercise, Venezuela had been ranked the 18th market out of 48 markets reviewed in terms of the projected level of workload and responsibilities. A FAS representative told us that major cost increases in leasing the office space, as well as limited trade assisted through the office, had prompted the decision to close the office. He said that the landlord of the ATO office space had planned to nearly double the rent. Similarly, FAS decided that the market development activities would be managed through the FAS office located at the embassy. FAS estimated the savings at about $324,000 per year.

We commend FAS for making difficult decisions to close specific offices and for the cost savings they have produced in this regard. However, we also noted examples of decisions that were driven by local circumstances, such as rent being raised in a given location. For example, while FAS generated $324,000 in annual savings by closing the Caracas office, partially to avoid increased rent, other options might have produced even more favorable outcomes had the decision been viewed from a systemic perspective. Had this been done, other options considered might have included (1) keeping the Caracas office open while closing some other location having a lower mission-related priority and (2) closing the Caracas office while opening a new location, or building up an existing location, having a higher mission-related priority.

Thus, while FAS was able to generate situational cost savings, it did not have an overall strategy that specified the locations of overseas offices to meet the priorities of the organization. Accordingly, decisions on office locations were not based on a long-term plan or marketing strategy for increasing U.S. exports. Neither did FAS have a plan for reallocating resources as shifts occurred in world markets. In January 1993, FAS completed LATS, but it did not include any strategies for locating overseas offices. A more effective strategic planning approach would be to assess the need for each overseas office and ATO according to FAS' priorities for increasing U.S. agricultural exports, as well as the genuine needs of those who use FAS overseas services. These users are mainly U.S. agricultural exporters.

## FAS Policies on the Rotation of Its Foreign Service Officers Raises Workforce Capacity Issues

After Congress passed the Foreign Service Act of 1980, which allowed FAS to adopt the foreign service system, FAS began to convert its foreign agricultural attaché positions to foreign service officers. Before passage of the Foreign Service Act, employees had been civil service employees, including those who had occasionally served overseas. According to FAS representatives, the conversion to foreign service positions was needed because, among other embassy staff and with foreign government personnel, FAS agricultural attachés lacked the status associated with being foreign service officers. This circumstance inhibited their ability to carry out the FAS mission, FAS representatives said.

FAS policy calls for each foreign service officer to spend about 50 percent of his or her career overseas. As a group, foreign service officers have exceeded the 50-percent rotation policy, yet many foreign service officers individually have not met this overseas service goal. The 50-percent policy requires FAS to designate a large number of high-level civil service positions at headquarters for foreign service officers while they are not on assignment at an overseas office. The use of foreign service officers in civil service positions raises FAS costs and makes inefficient use of specialized foreign service officer skills.

### The Extent of Overseas Service Varied for Foreign Service Officers

The Foreign Service Act provides only general guidance to foreign service agencies regarding assignments for foreign service officers. The act states that foreign service officers may not serve more than 8 years consecutively within the United States unless an extension is approved because of special circumstances. The act further stipulates that foreign service officers should be assigned to the United States at least once every 15 years. However, the act does not state what percentage of a foreign service officer's career should be spent overseas.

FAS policy, established in October 1983, states that its foreign service officers are to serve approximately one-half of their careers in the United States and one-half of their careers overseas. FAS' foreign affairs manual says that tours of duty at overseas posts will generally be for periods of 3 or 4 years. During periods when conditions at a particular post are especially difficult or hazardous, assignments may be for 2 years. Transfers between posts would normally not be made when they would keep a foreign service officer at an overseas office longer than 6 years. Tours of duty at headquarters would normally be for 4 years, with a minimum set at 2 years and a maximum set at 8 years. Foreign service officers may be reassigned from one position to another position at headquarters on the basis of FAS' needs and consideration of foreign service officers' preferences. We could find no documentation of the rationale for the 50-percent rotation criterion.

We developed summary statistics on the length of headquarters and overseas tours for 203 foreign service officers[3] because FAS did not have detailed data summarizing the amount of time that its foreign service officers had spent overseas. Between November 1981 and June 1993, the 203 foreign service officers, in total, had spent about 57 percent[4] of their tenure as foreign service officers at overseas locations. However, the data showed that 80 of the 203 foreign service officers, or about 39 percent, had not individually met the 50-percent policy. Although we recognize that these officers may well meet the 50-percent policy by the time they leave service, as shown in table 3.1, a wide variation existed in the percentage of time spent at overseas offices for the 203 foreign service officers.

**Table 3.1: Percentage of Time Spent Overseas for FAS Foreign Service Officers, November 1981-June 1993**

| Time spent overseas | Cumulative number of foreign service officers | Cumulative percentage |
|---|---|---|
| Under 20 percent | 17 | 8% |
| Under 40 percent | 49 | 24 |
| Under 50 percent | 80 | 39 |
| Under 60 percent | 120 | 59 |
| Under 80 percent | 179 | 88 |
| **Total** | **203** | **100%** |

Source: GAO analysis of FAS data.

[3]We analyzed data for the 203 foreign service officers who were on FAS personnel rolls as of April 1993. For each foreign service officer, the data covered the period between the date of conversion to foreign service and June 30, 1993. Seventy of the 203 became foreign service officers in November 1981 as part of an initial conversion of FAS civil service staff to foreign service officers, and nearly all had served overseas before the conversion. The remaining staff became foreign service officers incrementally during the 12-year period.

[4]We performed three additional analyses that showed similar results. In these analyses, (1) the current assignments were excluded from the comparison (for a total time abroad of 57.5 percent), (2) the assignments at the time of conversion to a foreign service officer were excluded from the comparison (for a total time abroad of 58.4 percent), and (3) both the current assignments and the assignments at conversion were excluded from the comparison (for a total time abroad of 59.3 percent).

We found cases in which foreign service officers had spent lengthy consecutive periods at headquarters, including 11 foreign service officers who had served 7 or more consecutive years at headquarters. For example, one foreign service officer had spent only 24 months, or about 17 percent of his tenure, at an overseas office between November 1981 (FAS conversion to foreign service) and June 1993. Since June 1993, this foreign service officer has remained at headquarters as a division director within the Commodity and Marketing Programs area. FAS representatives told us that the foreign service officer has done an excellent job at his headquarters assignment. The FAS representatives also told us that the foreign service officer preferred not to go to an overseas office again in his career and that he had not yet reached the legal limit of 8 consecutive years at headquarters.

According to FAS representatives, foreign service officers' preferences have played a very important role in the assignment process. FAS representatives said that the circumstances surrounding assignments have varied for each officer. Some foreign service officers have preferred to complete one overseas tour and return to headquarters, while others have preferred to serve two or more overseas tours before returning. Economic and other reasons were factors in these decisions. On the other hand, some foreign service officers have preferred to remain at headquarters for extended periods because of factors such as spouses' careers, children's schooling, and other family matters.

Although FAS' 50-percent policy for overseas duty does fit within the parameters of the Foreign Service Act, the FAS rotation policy is shorter than the average time spent overseas reported by other foreign service agencies. We held discussions with representatives of the major agencies with a foreign service, including the Department of State, the Department of Commerce's U.S. and Foreign Commercial Service, the U.S. Information Agency, the Agency for International Development, and USDA's Animal and Plant Health Inspection Service. In general, these representatives told us that their foreign service officers spend two-thirds to three-fourths of their careers overseas. For example, representatives of the U.S. and Foreign Commercial Service told us that about 75 percent of a foreign service officer's career is spent abroad. The Service begins to review a foreign service officer's status for a U.S. tour after about 12 years at various overseas offices. These foreign service officers generally serve tours at three different locations before beginning a tour in the United States.

## FAS' 50-Percent Rotation Policy Adds to Difficulties in Managing Its Workforce

The 50-percent rotation policy means that, at any point in time, about one-half of FAS' 203 foreign service officers are assigned to headquarters positions. However, FAS has only a limited number of positions at headquarters designated for foreign service officers. Thus, most of the foreign service officers serving in headquarters assignments are occupying civil service positions. This fact increases FAS difficulties in managing its workforce. Issues relating to the management of the dual-personnel system were reviewed by an FAS committee—the Committee on Civil Service and Foreign Service Personnel Management Issues. In its April 1989 report, the committee concluded that perceptions of unfair treatment existed within FAS. The report stated that the perceptions of unfair treatment of civil service employees resulted in part from the dual-personnel system.

An August 1993 internal FAS reorganization proposal recognized that concerns existed about assigning meaningful and appropriate work to returning foreign service officers. The proposal was expected, among other things, to make more efficient use of staff resources and reduce concerns connected with foreign service rotations to civil service positions. The proposal, by the FAS deputy assistant administrator for management, called for FAS to establish an organizational entity, staffed heavily with foreign service officers, with more representation and in-depth knowledge of various geographic regions and countries. Some of the concerns cited in the proposal included the following:

(1) FAS was not able to provide interesting and challenging jobs for many returning foreign service officers.

(2) Foreign service officers made little use of the knowledge and skills acquired at overseas offices, and they had little opportunity to pass on to others what was learned at overseas offices.

(3) Foreign service officers had perceptions that they were limited in what they could accomplish and what they could do to enhance their careers in the civil service positions.

However, FAS representatives told us that they believed such an organization would have made it too difficult to manage FAS programs. Consequently, the proposal has not been adopted by FAS management.

Because, as a group, the foreign service officers have a relatively higher grade structure than FAS' civil service employees, they hold a significant number of FAS' high-level positions. In April 1993, FAS had 99 of its 203 foreign service officers serving in headquarters positions, of whom 85 officers were in jobs designated as civil service (or "general schedule") positions. The 85 positions that foreign service officers held represented only 13 percent of the total civil service positions at headquarters. However, foreign service officers held 54 of 150 civil service positions at grades 14 and above (36 percent). Also, included in these totals, foreign service officers held 23 of 60 positions at grades 15 and above (38 percent).

The civil service assignments for foreign service officers, in general, often lasted for only a short period. Our analysis of the data on the 203 foreign service officers' tours showed that, while a foreign service officer may spend several years at headquarters, he or she had spent only about 20 months, on average, in any 1 position. The median duration of a headquarters tour was 17 months for the 203 foreign service officers.

FAS management told us that they believed that the rotations to civil service positions at headquarters do not represent a major adjustment for foreign service officers. The representatives said that foreign service officers know the FAS programs well and that work done in headquarters' assignments is often related to their overseas work. Further, representatives believed that the rotations provide foreign service officers with experiences needed at overseas offices in a wide range of programs and issues.

Nevertheless, in interviews conducted with foreign service officers and members of one headquarters division, FAS representatives expressed concerns to us about several issues. These issues included (1) the lack of continuity created by having foreign service officers manage FAS programs for limited time frames, (2) the poor professional relations that often existed between foreign service officers and civil service employees, and (3) the lack of appropriate assignments for some foreign service officers returning from overseas duty.

Six of 10 representatives of the Horticultural and Tropical Products Division (within the Commodity and Marketing Programs area) commented that rotations of foreign service officers at headquarters have often been too frequent and have affected continuity in managing FAS programs and activities. According to one representative, time is needed to learn an FAS position (including knowledge of specific markets and the paperwork of the position), as well as to be able to supervise personnel for the particular area. He further said that because the foreign service officers on headquarters' assignments knew that they would soon be rotated to another assignment, they may have had little incentive to make FAS programs work well, improve operations, or correct long-term problems.

We also interviewed 11 senior foreign service officers who either had served as the head of an overseas office or had been an agricultural trade officer at an overseas office. Many commented that the dual-personnel system (foreign service and civil service) had caused professional relations issues between foreign service officers and civil service employees. In addition, some civil service staff viewed the foreign service officers as a favored group that has had the benefits of living abroad and occupying the bulk of management positions at the agency. Several foreign service officers mentioned that the rotations of foreign service officers to civil service positions could adversely affect advancement opportunities for career civil service employees, which could engender resentment from civil service staff.

## FAS' 50-Percent Rotation Policy Increases Its Workforce Costs

Foreign service officers cost more than equivalently graded civil service employees. The government incurs higher employee costs with its use of the foreign service personnel system, primarily in the form of increased retirement benefits and the travel and other costs associated with overseas rotations. The pay scales for foreign service officers are only slightly higher than comparable civil service employees. The foreign service officers' higher benefits are given in return for the hardships endured by government employees who are stationed at overseas posts for much of their careers and subject to frequent changes of station.

Therefore, when foreign service officers are used to fill civil service positions, FAS' workforce costs are higher than they otherwise would be. In addition, as previously discussed, because of the 50-percent rotation policy, about one-half of FAS' approximately 200 foreign service officers are occupying civil service positions in Washington, D.C. If FAS were to adopt a policy similar to the practices of agencies whose officials said that their foreign service officers serve between 66 and 75 percent of their careers abroad, FAS could maintain its current level of foreign representation at a lower cost. For example, with a 75-percent rotation policy, 100 foreign service officers could be stationed abroad with a foreign service corps of only 133 officers, or 67 foreign service officers fewer than currently exist. The net savings would be the cost difference between the foreign service officers and those civil service employees that would otherwise perform the duties at headquarters, as well as the reduced costs resulting from fewer relocations.

## Conclusions

FAS strategic planning could be more useful as a management tool if it provided management with a more systemic perspective for identifying options when making decisions on geographic location and workforce capacity issues. While we commend FAS for making difficult decisions and generating cost savings through office closures, these decisions primarily were reached based on budget considerations and local considerations, not on an overall long-term strategic plan or marketing strategy with established mission priorities.

This concept also has implications for FAS' workforce. In April 1993, FAS had 203 foreign service officers whose assignments were governed in part by a 50-percent rotation policy. FAS has not revisited the rationale for that policy since it was established in the early 1980s. Other agencies having similar positions told us that their foreign service officers spend two-thirds to three-fourths of their careers overseas. Because foreign service officers cost more and because of the implications of having significant numbers of both foreign service officers and other civil service employees at headquarters, FAS should reevaluate its workforce capacity needs in light of its mission priorities; its geographic locations; and the number, knowledge, skill, and ability mix that it needs in both its foreign service officer cadre and the other components of its workforce.

## Recommendations

To more effectively and efficiently use resources to help increase U.S. agricultural exports, we recommend that the Secretary of Agriculture direct the FAS Administrator to:

- Devise and implement a strategy to better ensure that decisions on locations of overseas offices involve consideration of options derived from a systemic as well as a local circumstance perspective. An element of such a strategy would be an assessment of the cost effectiveness of the locations of overseas offices.
- Reevaluate FAS workforce capacity needs for both the foreign service cadre and other workforce components. An essential part of this reevaluation would be a reassessment of the 50-percent rotation policy with a view toward increasing the amount of time that foreign service officers serve overseas.

## Agency Comments and Our Evaluation

FAS agreed with our conclusion that decisions on the selection of overseas office locations should be strategy driven and should involve both systemic as well as local circumstance perspectives. FAS also stated that, once its strategic planning process is completed, decisions on office locations will benefit from the clearer focus that such a process offers for mission priorities and resource allocations. FAS disagreed with our characterization that FAS' current process is driven by ad hoc budget and local circumstance considerations. FAS stated that they used a "post-ranking analysis" model to rank overseas offices on trade, program, and workload factors, as well as qualitative factors. FAS contended that its approach has justified its resource allocation decisions on overseas offices. FAS reiterated that the decisions to close the London and Caracas offices were due to budgetary constraints. FAS chose to close two high-cost ATO sites in cities where their marketing functions could be shifted to the agricultural affairs office in the U.S. embassy. FAS indicated that the alternative was to close a larger number of low-cost sites to accomplish the same cost savings. We did not state that the decisions to close the London and Caracas offices were necessarily unsound. Our concern was that FAS did not make these closure decisions based on a comprehensive strategic plan or model that indicated which offices could be closed with the least detrimental impact on current and potential U.S. agricultural exports. Moreover, as discussed in the report, FAS representatives told us during the review that FAS made little use of its post-ranking exercise in deciding on changes in post location and staffing.

FAS reported that an agency task force is currently examining the foreign service rotation policy and said that this workforce capacity issue we raised is one of the most pressing managerial issues facing the agency. Additionally, FAS commented that foreign service officers are required to gain expertise in USDA export programs, agricultural trade policy, and market and intelligence gathering. FAS believes that U.S. agriculture has benefited from having foreign service officers work a substantial portion of their career in Washington to gain the expertise needed to succeed in the field. FAS said that the task force will have to translate all of the cost and human resource factors while offering all of its employees fair and satisfying career opportunities. We agree that workforce capacity is one of the pressing managerial issues facing FAS and are pleased that FAS is examining its foreign service rotation policy. In doing so, FAS should carefully consider the higher costs and inefficiencies that occur when foreign service officers spend large amounts of time in Washington.

# Some Commodity Reporting May Not Be Needed to Meet Strategic Objectives

Once an agency has determined its mission, its strategic priorities for achieving its mission, the most appropriate organizational approach, and the workforce capacity that it needs, it should ensure that it makes the highest and best use of its workforce. We found indications that FAS operations may not always meet this criterion, specifically relating to commodity reporting completed by FAS' overseas workforce.

FAS foreign service officers and foreign nationals[1] posted overseas devote a considerable portion of their time to acquiring and reporting information about agricultural commodities in foreign countries. This commodity reporting is intended to support USDA programs and trade policy goals and to provide the U.S. farm industry with information about competition with and demand for U.S. agricultural products. While FAS has conducted a lengthy review of its commodity reporting system, it did not systematically consult with users of FAS' reports outside of USDA on the extent to which the information generated by the reports was needed and used. Although FAS has eliminated or reduced some reports, our limited survey of potential users found that some of the remaining commodity reports had been put to little use by exporters and FAS, and that some reports unnecessarily duplicated information provided by other sources. The in-depth commodity reporting may have diverted overseas resources from other functions, such as trade policy and market development, which may be more beneficial to the promotion of U.S. agricultural exports.

## Overview of Commodity Reporting

FAS requires its overseas offices to submit reports on agricultural commodities on a scheduled basis. In 1993, 49 overseas offices submitted 1,619 scheduled commodity reports[2] covering 100 countries, according to the FAS Reports Office. These reports were divided into 22 different commodities or commodity groupings. Each post was responsible for reporting on a different mix of commodities.

Information for the commodity reports is collected from producers, traders, government officials, and other contacts in the country, as well as from on-site visits to agricultural regions. When commodity reports are received at FAS headquarters, they are distributed to relevant FAS divisions. These divisions analyze the information and use it to prepare commodity

[1]Although this chapter refers to commodity reporting done by foreign service officers, reporting at FAS posts is also done by non-U.S. foreign service nationals and contract employees.

[2]The overseas posts prepared an additional 1,395 "alert reports," which typically provided brief updates on such things as changes in the production of a commodity, new market opportunities, or changes in trade policy. Our work focused on the scheduled commodity reports because they accounted for most of the time spent on reporting.

circulars and other publications. Subscribers to these circulars include agricultural producers, exporters, importers, traders/brokers, universities, government agencies, and others with an interest in world agricultural markets.

For some commodities, only a single annual report is required, while other commodities also require semiannual, quarterly, or monthly reports from some posts. Annual commodity reports typically contain tables providing trade, production, and supply and demand data for the reporting country. Accompanying the data is a narrative section in which the foreign service officer provides reasons for changes in the data, as well as information on such things as production policy within the country, trade restrictions, and market opportunities.

The commodity circulars' content varies. In general, the bulk of the circulars consist of data tables showing such things as stocks of a commodity, production, supply, and consumption of and trade in various commodities. In most of the circulars that we reviewed, narrative analysis of the data was very limited. FAS representatives said that the data help U.S. farmers and traders in their export activities by informing them of changes in world demand for U.S. agricultural products and forecasting the export potential for specific commodities.

Commodity reports and circulars represent only one of FAS' avenues for conveying information. Other avenues include AgExporter magazine, trade leads, buyer alerts, and an FAS "Home Page" on the Internet, which allows any interested party worldwide to access certain FAS documents and reports. Trade leads inform U.S. exporters of specific export sales opportunities, while buyer alerts inform foreign importers about the availability of U.S. products. In addition, FAS foreign service officers frequently communicate directly with U.S. agricultural exporters by telephone, by mail, or in person.

## FAS' Commodity Reporting Has Not Been Sufficiently Based on U.S. Exporters' Need for Information

In March 1994, FAS completed a review of its commodity reporting system. The review resulted in changes to both the content and quantity of its reports. However, we believe the review did not go far enough in assessing the need for such an extensive reporting system by not systematically obtaining input from exporters on their information requirements. We believe exporters should have been surveyed because their activity relates most directly to FAS' primary mission of increasing exports.

## The Revised Reporting Schedule

In March 1994, the FAS Reports Committee[3] completed a 4-year review of FAS' commodity reporting system. The review culminated in a new reporting schedule and instructions. As part of the review, FAS headquarters' staff conducted a workload survey of its posts, obtained input from foreign service officers, and asked the commodity divisions to evaluate their information needs. As a result, the new reporting schedule reduced the breadth of product coverage required in many commodity reports and eliminated some commodity reports altogether. The new schedule also introduced "truncated reporting" for many annual reports.[4] At the same time, the schedule added new reporting for many high-value products (such as fresh fruit and vegetables and processed foods). As a result of the new reporting schedule and truncated reporting, the FAS Reports Office estimated that about 9 posts would face increased reporting responsibilities, while the reporting responsibilities of the remaining 40 posts would stay the same or be reduced.

As a general rule, the Reports Committee used a "90-percent coverage" criterion for determining how many posts should report on a given commodity. Typically, reports would be required from countries that represented the top 90 percent of world production of or trade in a commodity. Exceptions were made to include additional countries if they were judged to be significant for other reasons, such as countries deemed to be emerging export markets or recipients of U.S. food aid. FAS representatives said that the 90-percent coverage rule provided FAS analysts and the U.S. agricultural community with enough data to make informed decisions, but acknowledged that determining the exact percentage was ultimately a subjective judgment. Previously, FAS had generally collected market data representing about 95 percent of world production or trade.

We believe that FAS may be wasting part of its reporting resources by seeking to capture 90 percent of the world market across all commodities, large and small. Data are sometimes gathered from a country to reach the 90-percent world coverage level even though that country may not be particularly relevant to U.S. interests. By determining the need for reports based largely on reaching a specific quota, FAS has not maximized the

[3]The Reports Committee oversees the reporting function at FAS. The committee consists of the Reports Officer and a deputy assistant administrator from each of five FAS divisions. FAS requires that the committee evaluate and justify reporting requirements every 5 years.

[4]Truncated reports consist of basic supply and demand data plus about three to seven pages of narrative highlighting major changes. Full reports, by contrast, can run up to 20 pages or more.

opportunity to assess fundamentally the need for and value of many of its reports and to adjust its reporting based on this assessment.

In testimony to Congress, FAS officials have repeatedly said that the primary mission of their reporting service is to expand U.S. agricultural exports. Yet, the FAS reporting system remains more oriented toward describing agricultural production than toward promoting export markets. FAS has made some progress in adding to its reporting schedule more high-value products and more market-oriented reporting. But it has not fundamentally assessed how its agricultural reporting system should change in light of the evolving and increasingly competitive world export market.

Effective strategic planning depends on identifying and serving an organization's customers. With respect to its commodity reporting system, FAS has long regarded its primary customers as those government analysts and policymakers who use the data to help manage USDA programs and policies. The needs of external customers—agricultural exporters and others in private industry—have received less attention. FAS' extensive review of its reporting system gathered input largely from FAS' own foreign service officers and analysts; however, it did not systematically solicit the views of exporters and others in U.S. agriculture to learn what they want or need in terms of information. As a result, changes in the reporting system were geared more to the desires of FAS data analysts than to the needs of the U.S. agricultural community.

## Some Commodity Reporting Was Put to Little Use

We reviewed in depth the 1992 reporting for five commodities—honey, dairy products, cotton, coffee, and grain and feed. The five commodities represent a subjective cross section of the commodities on which FAS foreign service officers reported. They include major commodities (grain and feed) and minor commodities (honey), as well as export-oriented commodities (cotton) and import-oriented commodities (coffee). We spoke with a wide range of users, both within USDA and in the farm industry, about the commodity reports and the circulars FAS produces from the reports.

We found that FAS' commodity reporting is intended to serve several objectives, only some of which are linked to export expansion. FAS reporting serves goals ranging from helping set U.S. farm policies to the following: managing USDA programs, maintaining price stability on commodity markets, informing U.S. producers about foreign competition in the domestic market, and notifying U.S. exporters about market opportunities abroad.

While some FAS reporting did serve these objectives, we also found that some of the reporting was not widely used, suggesting that reporting could be reduced further and still meet the main information needs of USDA and private industry. We found many examples in which commodity reports contained great amounts of detail that were unused by USDA analysts, private traders, or others. Moreover, many U.S. agricultural producers and traders told us they relied primarily on other sources of information, especially for market data. They said that FAS data were frequently outdated by the time of publication and were often not easily accessible by electronic means. However, FAS has recently begun to make selected reports and documents available electronically to any party worldwide through its "Home Page" on the Internet.

## Honey

Honey is a relatively minor commodity; the United States imported about $49 million worth of honey in 1992 and exported only about $7 million worth. We found that the commodity reports and the World Honey Situation circular were not significant in helping USDA administer various programs or helping honey producers increase U.S. exports.[5] The commodity reports and circular also played a limited role in assisting U.S. producers in monitoring foreign competition in the U.S. domestic market.

In 1992, there were scheduled annual reports on honey for nine countries—Argentina, Australia, Brazil, Canada, China, Germany, Japan, Mexico, and the former Soviet Union. As a result of the commodity reporting review, the reports from Australia, Brazil, and Japan were eliminated as of 1993 because, according to FAS representatives, these countries did not rank high enough in world honey utilization. Over 98 percent of U.S. honey imports were represented by the reporting countries in 1992, but less than 33 percent of the small U.S. honey export market was captured by the reports.

The commodity reports and circular on honey did not play a significant role in supporting FAS programs. For example, over the past several years, the National Honey Board has received nearly $1.5 million under USDA's Market Promotion Program. FAS prepared commodity reports on only two of seven countries that the National Honey Board was targeting for

[5] In 1993, FAS eliminated the World Honey Situation circular and incorporated the data into a circular that covers a variety of horticultural products.

promotions under the program, and the board's 1993 funding proposal showed very little reliance on information provided in the reports. The marketing specialist who coordinates the Market Promotion Program for honey told us that the commodity reports and circular provided some helpful background data. But she added that she did not rely on the reports in evaluating funding proposals or in performing her other marketing work.

The commodity reports and circular for honey were used to some extent by USDA's Agricultural Stabilization and Conservation Service (ASCS) in administering the honey price support program. Under this program, loans are made to beekeepers based on a guaranteed loan price. ASCS reviewed FAS honey reports because foreign production and trade can affect U.S. honey prices. ASCS also got information about world honey trade from other sources, including the Department of Commerce and contacts in the honey industry. According to an ASCS representative, the data received from the FAS honey reports were helpful, but not essential.

Despite the emphasis within FAS on increasing U.S. exports, the commodity reports and circular played little direct role in increasing honey exports. FAS did not report on certain primary export markets, such as the Middle East, which received over one-third of all U.S. honey exports in 1992. Moreover, representatives of the honey industry and U.S. honey producers told us that FAS export market information is of limited value to them, partly because U.S. honey exports are small and partly because they have their own sources of market information.

An FAS representative and some honey industry representatives told us that overseas information is important for monitoring foreign competition in the U.S. domestic market. Changes in overseas production affect both U.S. honey prices and the amount of competition U.S. honey producers can expect from foreign imports. Thus, the U.S. honey industry uses information about the overseas situation in making production decisions and doing long-range strategic planning. Two representatives of the honey industry said that FAS data, published in a circular 4 months after the data were reported, were often outdated on arrival. Producers told us that they relied largely on other sources for overseas information. The FAS commodity reports and circular were used mostly to supplement those other information sources.

## Dairy Products

FAS dairy reports cover several products, including milk, cheese, butter, and dry milk. The United States imported $877 million in dairy products in 1992 and exported $802 million. FAS required scheduled dairy reports in 1992 from 37 countries (reduced in 1994 to 34 countries), which were chosen mostly because they were significant producers of dairy products. Some of the countries were, nonetheless, relatively small producers that did little dairy trade with the United States. The dairy reports were quite detailed, commonly running 20 pages or longer, but we found few examples where such detailed information was needed.

Our review found that the dairy reports were used relatively little in supporting USDA programs. USDA's major foreign agricultural export program involving dairy products is the Dairy Export Incentive Program. This program provides subsidies to U.S. dairy exporters to make their products more competitive on the world market. Dairy trade data are required to administer the program, but, as of 1993, FAS used United Nations (U.N.) trade data for this purpose, not the dairy reports written by foreign service officers. The dairy products analyst at FAS said that the U.N. data were used since they provided more comprehensive and uniform world coverage.

USDA also operates a domestic program that supports dairy prices. ASCS, the agency that administers the program, used the dairy reports to monitor the world dairy situation, since the world dairy trade may affect U.S. dairy prices and the amount of the U.S. dairy surplus. ASCS used the dairy reports to track major trends but did not appear to require most of the detailed information many of the reports provided. An ASCS representative said that in addition to the FAS reports, he had other sources of information that provided overseas price and supply information from major markets.

The FAS dairy reports were of limited importance to the U.S. dairy industry representatives to whom we spoke. Because of strict U.S. import quotas on many dairy products, world production and trade affect U.S. producers less for dairy than for most other commodities. Representatives of the dairy industry said the FAS dairy reports and circulars were helpful as background information. However, the representatives provided few specific examples of their use.

Most of the dairy representatives to whom we spoke also did not rely on the FAS dairy reporting as a major means for learning about export opportunities. The content of commodity reports and circulars was oriented largely toward production rather than market development.

Furthermore, while FAS did dairy reporting from all of the world's major dairy producers, there was no report from several countries that were among the largest U.S. dairy export markets. For example, there was no report from the Philippines, a significant U.S. dairy market in 1992, or from several other Asian countries with high market potential.

## Cotton

Cotton is a major U.S. agricultural export; about $2 billion worth was exported in 1992, representing over one-third of the U.S. cotton crop. In 1992, FAS required cotton reports from 47 countries, representing the world's top producers and traders, as well as countries deemed important for other reasons, such as those receiving significant U.S. aid. In general, we found that USDA and the cotton industry representatives to whom we spoke appeared to make substantial use of FAS cotton reporting, although much of the detailed narrative in the reports was not essential.

FAS spent about 4 staff years overseas on cotton reporting in 1991, according to FAS' resource workload survey. The new reporting schedule slightly reduced cotton reporting by decreasing the number of cotton reporting posts from 47 to 39 and eliminating certain interim reports. In addition, 9 of the 39 posts now write only truncated reports rather than reports containing the full narrative. Under this reduced reporting schedule, FAS cotton reporting still is expected to cover countries representing over 90 percent of world production and U.S. export markets. The cotton reports are used to produce the monthly World Cotton Situation circular.

The cotton reports played at least some role in supporting several USDA programs. For example, FAS representatives said the cotton reports helped in managing title I of Public Law 480, which provides low-interest, long-term credit to developing countries that purchase U.S. cotton and other commodities. The reports helped determine the (1) demand for cotton in a country and (2) amount of credit to be granted. In another example, ASCS reviewed FAS cotton reports to help administer the cotton marketing loan program. The program lends money to cotton producers based on the world price for cotton. ASCS monitors the overseas situation because this situation affects the domestic market and price trends, though ASCS uses other sources to track the daily world cotton price.

FAS cotton reporting is the primary information source for USDA's official forecasts of supply, use, and prices for cotton. USDA's World Agricultural Outlook Board issues these forecasts. The board says that farmers, commodity traders, exporters, and others use the forecasts, which are published monthly, to make essential production and trade decisions.

We spoke to several cotton growers, traders, and marketing cooperatives, as well as officials of groups representing cotton interests. Industry representatives told us that they used the world supply and demand data largely to help understand price trends. This information helped traders decide when to buy and sell so as to get the best possible price on the world market. U.S. traders and marketers also looked at the production and consumption data of their competitors and their export markets to gauge what the demand for U.S. cotton would be on the world market.

The industry representatives generally said they made substantial use of the numerical data to facilitate trade and execute business decisions, but the narrative "market development" information in the reports and circulars was much less useful. Two industry users said that the most helpful FAS information came from developing countries, where accurate information was otherwise hard to get. They said the FAS commodity reporting was less necessary for the European Union,[6] where there were other accurate and accessible sources of information.

Despite their value, the commodity reports on cotton often contained more detail than appeared necessary to meet the industry's or USDA's objectives. Several analysts in the cotton industry said a lengthy report from each country was not needed. Some of those who did occasionally require detailed information, such as analysts in FAS' Office of International Trade Policy, said their needs could be met through alert or special request reports.

## Coffee

Coffee is a major U.S. agricultural import; the United States imported about $1.7 billion worth in 1992. Because the United States exports very little domestically grown coffee, FAS coffee reporting was not used for market development or to support USDA export programs. Rather, the reports and circulars were used to assist U.S. coffee companies and traders and were intended to deter price volatility by providing unbiased overseas production estimates. Some U.S. coffee roasters said these goals could still be met with reduced FAS reporting.

[6]The European Union is comprised of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. It was formerly known as the European Community.

Under the reporting schedule in effect in 1992, FAS foreign service officers wrote annual or semiannual coffee reports in 20 countries. These countries represented all of the world's major coffee producers. The reports were used to produce the semiannual World Coffee Situation circular. Under its new reporting schedule, FAS reduced the number of countries preparing coffee reports from 20 to 15 and received coffee reports from State Department employees in three additional countries. The 15 countries on which FAS now reports represented over 78 percent of 1993 world production; just 3 of those countries (Brazil, Colombia, and Indonesia) constituted over 50 percent of world production.

The Office of the U.S. Trade Representative (USTR) has used FAS coffee reporting in its negotiations with the International Coffee Organization, which established an export quota system. The quota system was developed using both the International Coffee Organization's own trade data and trade data that FAS foreign service officers gathered. The system disintegrated due to disputes among members in 1989, and the United States dropped out of the International Coffee Organization in 1993. However, a USTR representative said the United States may rejoin negotiations with the organization in the future. The USTR representative said that the International Coffee Organization collected data on coffee crops from its member countries, but that the FAS data were usually considered more reliable and objective.

FAS representatives and some representatives of the coffee industry said that FAS coffee reporting provides the only truly objective and unbiased data on the world coffee situation. Disseminating reliable information on supply and demand, they said, helps keep prices more stable. FAS representatives pointed out that Congress became particularly concerned about having accurate overseas information on coffee during volatile price swings in past years.

Despite this situation, many of those in the coffee industry who read the reports considered FAS coffee reporting helpful, but not essential. They said there were other sources of information available, such as International Coffee Organization statistics, trade publications, and privately gathered information from coffee traders. Most agreed that none of these sources was as objective or comprehensive as FAS data, but some noted that if FAS were to reduce its coffee reporting, private reporting firms would quickly fill the gap.

## Grain and Feed Products

Grain and feed products represent major U.S. agricultural exports. FAS grain and feed reports cover several major commodities—including wheat, corn, and rice—that constituted about 25 percent of total U.S. agricultural exports, amounting to over $10 billion in 1992. FAS required a scheduled grain and feed report from 73 countries in 1992, representing the world's top traders and producers, with each post reporting on a different mix of commodities. We found that USDA and private industry used FAS grain and feed reporting extensively. Grain and feed reporting was substantially reduced under FAS' recent reporting review, but most users of the information did not expect the reductions to be a significant concern.

The grain and feed reports played at least some role in managing a variety of USDA programs. Representatives from the Grain and Feed Division told us that they used the data to help determine potential markets for the Export Enhancement Program. Through this program USDA provides "bonuses" to U.S. exporters to make U.S. grains more competitive on the world market. The reports were also used to help analyze constraints on trade and help make funding decisions for the Market Promotion Program. In addition, grain and feed reporting helped determine suitable markets for and administer the activities of the GSM export credit guarantee programs and the Public Law 480 food aid program. ASCS used the reports to administer domestic loan programs for several grain commodities, since the overseas markets affect the domestic market and prices.

The data FAS gathered are the primary source of information for USDA's official forecasts of supply and use for grain and feed, which the World Agricultural Outlook Board issues. We spoke to several grain industry representatives, traders, and analysts who subscribe to the grain and feed reports or circulars and follow the forecasts that the board publishes. Nearly all said that they relied extensively on FAS grain and feed reporting to gauge price trends, monitor competition, or, to a lesser extent, be alert to export opportunities.

As a result of FAS' recent reporting review, the Grain and Feed Division recommended to the Reports Committee that it significantly reduce the amount of reporting required from posts. The number of grain and feed products on which most posts must report was reduced by about one-half. Furthermore, all grain and feed reports were truncated, requiring only a few pages of narrative accompanying the data tables. A representative of the division said that its philosophy was to require only information that it considered critical; any special needs would be met through requests to the posts for alert reports. Many users we spoke with in USDA and the U.S.

farm industry said that this reduced grain and feed reporting would still satisfy their information needs.

## Sources of Information Have Expanded

When FAS first began actively reporting on world agriculture in the 1950s, there were few other sources of information available. Since then, numerous sources have developed. In addition to foreign governments, a variety of international organizations, from the U.N. to the International Coffee Organization, now publish such data. A wide array of private reporting services and industry journals also gather intelligence on overseas agriculture.

FAS representatives acknowledged that other sources of data are available, but they said that FAS data serve as the benchmark and are the most reliable and unbiased. FAS representatives also said that foreign governments and outside reporting services often have interests that can prejudice their data. Many people in the agricultural industry with whom we spoke agreed that FAS was usually the most comprehensive and objective source of information.

However, recognizing that other sources are available, FAS has reduced the depth of reporting for major bulk commodities. Nevertheless, with the wealth of information available, FAS is no longer the world's sole repository for information about world agriculture. Thus, FAS may be devoting its much-needed resources to duplicating information available elsewhere.

For example, FAS spends considerable resources reporting from the countries of the European Union. The European Union is both an important market and a significant competitor. But many in private industry told us that it is easy to get accurate and comprehensive information about European agriculture. West European governments publish agricultural data they consider reliable, and many private publications report on the European Union's agricultural sector. Several industry sources told us that it would be more helpful if FAS were to shift reporting resources away from Europe, where information is otherwise easily obtained, and toward developing countries, where market intelligence is harder to come by and where FAS reporting would thus be more helpful.

## Unneeded Reporting May Divert Overseas Resources From Other Important Functions

Over the past several years, FAS' program responsibilities have increased significantly without a commensurate increase in FAS staff levels. FAS has historically been criticized for requiring its foreign service officers to do too much commodity reporting. Many foreign service officers have said that time spent on excessive reporting has adversely affected their ability to carry out trade policy and market development functions that would be more beneficial to U.S. agriculture.

FAS conducted a resource workload survey asking each overseas office how much time it spent in 1991 on each of its scheduled and voluntary reports. The survey showed that the overseas offices devoted about 36 percent of their work hours to commodity reporting. The survey also asked if the post was devoting the right amount of time to its various functions, such as reporting, trade policy, and marketing. Fifty-one percent of those responding to the survey said they believed the post spent too much time on reporting. Furthermore, 62 percent felt they were able to devote too little time to marketing activities.

In written comments accompanying the survey, written feedback gathered as part of FAS' reporting review, and interviews we conducted, foreign service officers often expressed frustration with the level of scheduled commodity reporting required. They generally said that scheduled reporting requirements were burdensome, especially in light of growing program responsibilities. More specifically, some foreign service officers complained of being required to report on commodities for which their post played an insignificant role in world trade or as a U.S. export market. They said that reducing scheduled reports would liberate time for other important tasks, such as alert reporting, trade policy matters, and market development.

## Conclusions

FAS' foreign service officers are assigned data collection and reporting duties without the benefit of clear strategic priorities to guide their efforts. This has resulted in an increasingly burdened workforce that must produce reports that may or may not benefit FAS' overall goal of promoting U.S. agricultural exports. We found that some commodity reporting is clearly essential in carrying out FAS programs and in servicing U.S. agriculture. However, since FAS does not yet have the type of strategic plan we call for in chapters 2 and 3, it can not ensure that all of these efforts contribute to meeting its priority goals. Also, FAS has not sufficiently surveyed potential external users of its reports and thus does not know the extent to which its reports are needed or used. Our limited survey of external and internal users showed that some of FAS' current reports have had only limited use by FAS and external users. After FAS has established a strategic plan as we recommend in chapters 2 and 3, FAS should ensure that it is making the highest and best use of its overseas workforce by pursuing potential opportunities to reduce and eliminate reporting that does not efficiently contribute to its priorities as established in that plan.

## Recommendation

We recommend that the Secretary of Agriculture direct the Administrator of the Foreign Agricultural Service to ensure that its commodity reporting system contributes to FAS' strategic priorities. In doing so, the Administrator should ensure that commodity reports meet the needs of external and internal users and do not unnecessarily duplicate information available from other sources.

## Agency Comments and Our Evaluation

FAS agreed that excessive commodity reporting and duplicating the efforts of others should be avoided. In its comments, FAS erroneously said that we judged the value of commodity reporting on the basis of comments by external subscribers to FAS circulars, emphasizing that internal USDA organizations are also customers of these reports. However, during our review we spoke with a wide range of users of the commodity reports and the circulars FAS produces from the reports, both within USDA and in the farm industry. While reviewing specific commodities, we obtained comments of internal USDA organizations concerning the value of commodity reporting in administering USDA programs. Nevertheless, FAS said that it plans to question the extent of commodity reporting as it develops its strategic planning process.

We are pleased that FAS is committing to a review of the necessity and extent of commodity reporting, which may identify unneeded and excessive reporting and reduce resources applied to reporting. We are aware of the importance of reporting but believe based on our review that the entire reporting function, both internal and external reporting, needs to be thoroughly examined. This should be accomplished consistent with FAS's principal objective of increasing exports.

# Comments From the Department of Agriculture's Foreign Agricultural Service

United States Department of Agriculture

Foreign Agricultural Service

Washington, D.C. 20250

AUG 18 1995

Allan I. Mendelowitz
Managing Director
International Trade, Finance, and Competitiveness
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Mendelowitz:

I am enclosing comments prepared by the Foreign Agricultural Service in response to the July 1995 GAO Draft Report "U.S. Department of Agriculture, Foreign Agricultural Service Could Benefit From Better Strategic Planning." You will find our responses to each of the four recommendations contained in the GAO report.

FAS is pleased that we were solicited for our views on the important issues you raised in your report. We trust these comments will be helpful to you.

Sincerely,

CHRISTOPHER E. GOLDTHWAIT
General Sales Manager

Acting Administrator

Enclosure

EQUAL OPPORTUNITY IN EMPLOYMENT AND SERVICES

**USDA Response**
**to**
**GAO Draft Report, GAO/GGD-95-225, Entitled**
**"Foreign Agricultural Service Could Benefit**
**From Better Strategic Planning"**

The draft report by the General Accounting Office (GAO) provides a good background on many of the issues and challenges facing the Foreign Agricultural Service from a planning perspective. While we disagree on some aspects of GAO's recommendations (noted below), we are appreciative of their efforts since they address a number of our own concerns. They will be reviewed and evaluated carefully to guide us in our efforts as we move toward our March 1996 target date for having an FAS strategic plan in place.

In general, GAO's report adopts the position that FAS' 1993 report on the Long Term Agricultural Trade Strategy (LATS) did not provide the basis for effective strategic planning by the Agency due to its lack of specificity in guiding program and human resource allocation decisions and its lack of accountability for gauging progress. This lack of strategic planning has, in turn, resulted in a misallocation of resources involving 1) the location of overseas offices, 2) foreign service personnel, and 3) commodity reporting. GAO concludes these problems would not have occurred had an effective planning process been in place. The report issues four major recommendations to correct these problems.

See comment 1.

FAS accepts the view that the 1993 LATS report lacked the specificity to be considered an effective strategic plan. The Agency is working to correct this and develop a strategic planning process that does facilitate resource allocation decisions while meeting a number of other statutory requirements regarding performance measures and the annual budget process. However, FAS differs with GAO's characterization that its decision processes associated with overseas office locations, foreign service personnel, and commodity reporting are *problems associated with a lack of strategic planning*. Instead, FAS sees them as *issues that should be addressed in its strategic planning*. Issues are not the same as problems. This is especially true in the case of overseas office selection and commodity reporting.

Since each of the four major GAO recommendations are fairly distinct from one another, we would like to respond to each separately. Again, we would like to commend GAO on their efforts, value their insight, and will carefully consider each of their recommendations. Our comments are as follows.

**GAO's Recommendation Regarding Inadequate Strategic Planning.** We concur with GAO's conclusion that FAS' 1993 Long Term Agricultural Trade Strategy (LATS) report does not provide the basis for effective strategic planning. While the report did establish overall direction and objectives of the Department's export efforts, it lacked the specificity to guide the allocation of program and activity resources to achieve those objectives and did not establish measures for gauging progress or accountability for meeting the objectives.

However, this administration is committed to pursuing an effective strategic planning process. Specifically, FAS has implemented over the past year a process designed to encompass and integrate several statutory and Administration initiatives related to strategic planning. This effort was undertaken with a view toward unifying the various planning requirements placed on the Agency, thereby eliminating duplication of effort and minimizing unnecessary resource demands on the Agency. The current budgetary environment requires that all government agencies pay particularly close attention to such matters.

This process has been designated as the "Unified Budgetary Strategic Planning Process." It takes the requirements of the Administration's initiative, "the National Performance Review (NPR)", along with statutory requirements of the Trade Promotion Coordinating Committee (TPCC), the Government Performance and Results Act (GPRA), and the Long-Term Agricultural Trade Strategy (LATS), and unites them with the annual budget process. In so doing, it assures that the performance measures and planning demands of each of the components are met uniformly in the most efficient manner possible.

This process is in progress, working toward our strategic plan target date of March 1996. One of its elements will be a trade strategy -- the equivalent of a LATS. Other elements include strategic plans and guidelines for overseas post locations and Washington, D.C. staff resources and activities. We believe this will address many of the issues raised by both GAO and our senior staff concerning the Agency's overseas office selection process, foreign service rotation policy, and commodity reporting requirements.

**GAO's Recommendation Regarding the Selection Process for Overseas Offices.** We agree with GAO's conclusion the decisions on overseas office locations should be strategy driven and should involve both systemic as well as local circumstance perspectives. Once our new strategic planning process is in place, we believe our decisions on office locations will benefit from the clearer focus that such a process offers for mission priorities and resource allocations.

However, we disagree with the report's characterization that our current process is driven by ad hoc budget and local circumstance considerations. We annually review overseas office location and resource allocations. Since 1989, FAS has used a "post ranking analysis" model to rank overseas offices on trade, program, and workload factors. In addition, FAS considers many qualitative factors which cannot be captured in the post ranking model. The results have supported the decision making process for allocating resources to FAS overseas offices including the decision to close offices due to budgetary limitations, including the two specific examples cited in the report.

These two post closing decisions were cited in the GAO report as examples of ad hoc budget decisions driven by local circumstance. These were the decisions in fiscal year 1994 to close the ATOs in London and Caracas. With a substantial amount of the Agency's cost of operations denominated in foreign currencies, the declining value of the U.S. dollar and the tight budget situation combined to make it difficult for FAS to maintain the same number of overseas offices. Without budget increases, office closures were the only option. Closing existing offices are never painless. However, we believe the decision to close the ATOs in London and Caracas were the most prudent decisions for USDA given the requirement to substantially cut overseas expenses while minimizing the negative impact on mission objectives. The Agency chose to close two high cost ATO sites in cities where their marketing functions could be shifted to the agricultural affairs office in the U.S. embassy. As a result, the Agency saved $1.25 million a year in expenses while maintaining the ATOs marketing assistance function. The alternative was to close a larger number of low cost sites to accomplish the same cost savings but these would have been in markets where there was only one office thereby effectively eliminating any USDA presence in that market and forcing the Agency to pay severance expenses for terminated foreign nationals which would have added further to Agency budget costs.

**GAO's Recommendation Regarding FAS Workforce Capacity Needs of Its Foreign Service and Civil Service.** Dual personnel systems (foreign service/civil service) are used by a number of U.S. government agencies who conduct business in a foreign affairs setting, including FAS. Operating a dual personnel system in a manner that offers satisfying career opportunities to all employees while allowing the Agency to effectively carry out its mission is a managerial challenge and has been the source of considerable controversy in FAS since the system was adopted in 1983. GAO's recommendation is that FAS reexamine its 50 percent rotation policy for foreign service officers with a view of boosting it to the 66-75 percent levels found in other foreign service agencies. In the process, GAO feels FAS could lower its overall personnel costs and improve the morale of the agency, especially its civil service employees.

The issue raised by GAO is important and is one of the most pressing managerial issues facing the Agency today. A task force under the Partnership Council is reviewing how FAS operates its dual personnel system and is soon expected to make recommendations to the Administrator on its findings. The task force is specifically looking at the foreign service rotation policy. However, one of the complicating factors in prematurely endorsing GAO's rotation recommendation is the broad export program and policy expertise required of our agricultural officers that foreign service officers of other agencies do not face. Unlike other foreign service agencies, FAS has a unique situation of having USDA export programs, agricultural trade policy, and market and competitor intelligence gathering all under one roof. FAS believes U.S. agriculture has benefited from having FAS' foreign service officers work a substantial portion of their career in Washington to gain the expertise needed to succeed in the field. The question the Partnership Council will have to address is how to translate all the cost and human resource factors into a policy that will allow FAS to fulfill its mission most cost effectively while offering all its employees fair and satisfying career opportunities.

**GAO's Recommendation Regarding Excessive Commodity Reporting.** GAO's report concludes that excessive overseas commodity reporting prevents FAS' agricultural attaches from focusing on mission critical activities like trade policy and market development. They recommend that FAS' commodity reporting system contribute to the Agency's strategic priorities and do not duplicate information reported by others. FAS agrees that, with so many demands being placed on our overseas personnel, excessive commodity reporting and duplicating the efforts of others should be avoided. However, determining whether commodity reporting is excessive depends on how "excessive" is determined.

GAO chose to determine this by surveying a number of external subscribers to various FAS circulars. As a customer oriented service agency, we commend GAO for their efforts and will review their survey findings to see where we can improve these publications in the future. However, judging the value of commodity reporting on the basis on what is published in Agency circulars gives a misleading picture as to its value. Circular publication is a by-product of commodity reporting, not the rationale behind it.

Internal USDA users are also customers of these reports such as ERS and the World Agricultural Outlook Board. They use the commodity reports to regularly assess and forecast the global agricultural supply-demand situation and are used by markets the world over. The information contained in FAS reports are used by the Secretary for domestic and export program decisions, the commodity markets to aid in the price discovery process that is vital for efficient market behavior, and by the private analysts who may interpret events differently than the USDA. One of the reasons this information is so respected by its users and are capable of moving markets more than any other source is the faith users have in its quality and timeliness. In fact, many of the other sources of agricultural information (outside USDA) repackage or add value to the original information contained in FAS commodity reports. All of these internal and external users are our customers. FAS considers their needs when making decisions on adding or deleting commodity reports.

As FAS develops its strategic planning process, questions regarding the extent of our commodity reporting will be addressed. GAO is correct. With the Agency being asked to do more with less, resources committed to commodity reporting will have to be reexamined. However, that determination will take into account the needs of an extremely wide variety of users each with something to lose from those decisions.

The following is GAO's comment on the USDA FAS letter dated August 18, 1995.

## GAO Comment

1.We are pleased that we and FAS are in general agreement on issues that need to be addressed. While we referred to the issues to be addressed as problems, we agree that they can be viewed as issues. We changed the report accordingly.

# Major Contributors to This Report

## General Government Division, Washington, D.C.

Phillip J. Thomas, Assistant Director
Michael J. Avenick, Assignment Manager
Michael Tovares, Evaluator
Rona Mendelsohn, Evaluator (Communications Analyst)

## Boston/New York Regional Office

Kendall C. Graffam, Evaluator-in-Charge
Jason Bromberg, Evaluator

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