



Report to the Committee on Finance,
U.S. Senate

December 2006

TRADE
ADJUSTMENT
ASSISTANCE

New Program for
Farmers Provides
Some Assistance, but
Has Had Limited
Participation and Low
Program Expenditures



G A O

Accountability * Integrity * Reliability

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Abbreviations

CSREES	Cooperative State Research, Education, and Extension Service
ERS	Economic Research Service
FAS	Foreign Agricultural Service
FSA	Farm Service Agency
PRC	Petition Review Committee
TAA	Trade Adjustment Assistance
USDA	United States Department of Agriculture

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United States Government Accountability Office
Washington, DC 20548

December 18, 2006

The Honorable Charles E. Grassley
Chairman
The Honorable Max Baucus
Ranking Minority Member
Committee on Finance
United States Senate

While tens of thousands of manufacturing workers have received services through the Trade Adjustment Assistance (TAA) program, until 2002, farmers and fishermen impacted by imports did not have access to similar assistance. The Trade Act of 2002 (Trade Act) established a new program, TAA for Farmers, administered by the U.S. Department of Agriculture (USDA) to provide technical assistance, a cash payment of up to \$10,000 a year, and access to Department of Labor (Labor) training and reemployment services for farmers and fishermen who face significant price declines due to increased imports. The Trade Act provides for up to \$90 million each year through fiscal year 2007 for the costs to carry out the program. Trade Act programs are due for reauthorization in 2007.

To be eligible for benefits, farmers and fishermen—called producers—must complete a two-part process each year.¹ First, a group of producers of a commodity must submit a petition to USDA on behalf of all producers in one or more states. The petition must demonstrate that the price of the commodity for the most recent marketing year declined by at least 20 percent from the average price for the previous 5 years and that imports contributed importantly to the decline in price. If USDA certifies the petition, any producer of that commodity in the region covered by the petition may then apply for benefits under the program. Individual producers must meet additional conditions to receive cash payments. For example, their net farm or fishing income must be less in the petition year than it was in the previous year.²

¹Producers include qualified fishermen or owners, operators, landlords, tenants, or sharecroppers who share in the risk of producing a commodity and are entitled to share in the crop available for marketing from the farm.

² For recertified petitions, the term “previous year” is the year before the first petition was approved.

The TAA for Farmers program was first authorized in 2002, and no comprehensive review has been completed to guide reauthorizing the program. To help prepare for reauthorization, you asked us to assess the status of implementation of the TAA for Farmers program. Specifically, we examined: (1) how the USDA promotes the TAA for Farmers program and the extent to which the agency has received and certified petitions from producers, (2) the extent to which participants have received benefits, including technical assistance and cash payments, and (3) what is known about the results of the program. To respond to these issues, we interviewed USDA program officials involved with implementing TAA for Farmers, analyzed USDA program data on petitions, payments, and technical assistance from fiscal years 2004-2006, and reviewed the results from a 2006 survey of TAA for Farmers participants conducted by Washington State University Extension for USDA's risk management education centers.³ We conducted our work from August 2006 to October 2006 in accordance with generally accepted government auditing standards.

On October 24, 2006, we briefed your staffs on the results of our work. This report formally conveys the information provided during that briefing. Appendix I contains the briefing slides.

In summary, we found that, while USDA uses various means to promote TAA for Farmers, the numbers of both petition submissions and certifications are lower in fiscal year 2006 than they were in 2005. USDA officials attribute the decline to the difficulty farmers and fishermen have in meeting the eligibility criteria. Out of 101 petitions submitted for the program to date, USDA reviewed the 64 that were complete, appropriate and timely. Of these, 30 petitions were certified and 34 were denied. Producers of Concord grapes, lychees, olives, wild blueberries, fresh potatoes, Florida avocados, snapdragons, shrimp, salmon, and catfish were among those that were certified under the program. The number of petitions submitted by producers declined by nearly half from fiscal year 2004 to 2006, while the number of petitions USDA denied more than doubled between 2005 and 2006. Most of the petitions that were denied were up for recertification and no longer met key program eligibility criteria. Officials attribute this to two factors—the requirement to demonstrate a 20-percent price decline and the requirement to show a

³ USDA's Cooperative State Research, Education, and Extension Service (CSREES) operates the risk management education centers.

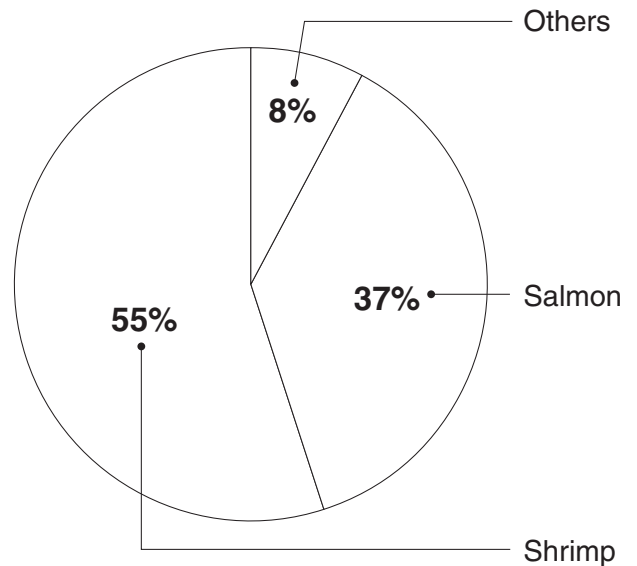
further increase in imports for petitions up for recertification. For example, in 2006, 14 of the 15 petitions that were denied were up for recertification and were not recertified because imports did not increase over the previous year's level.

While USDA provides technical assistance to producers, the amount of cash payments made to producers has been relatively small and, according to program officials, some program eligibility criteria may limit their participation. To date, about 13,000 producers have received technical assistance; USDA has provided about 8,000 cash payments; and few producers—estimated at 3 percent or less—have taken advantage of Labor's training and reemployment services.^{4 5} USDA's Cooperative State Research, Education, and Extension Service (CSREES) provides technical assistance through various means—in person, online, and through training materials—to producers nationwide, and has implemented a basic and an intensive technical assistance curriculum. The basic curriculum, which is mandatory for all certified producers who wish to receive a cash payment, provides a brief overview of world trade, business improvements producers can make, and other resources. The intensive curriculum, which was implemented in 2006, is optional, and provides individual one-on-one counseling to help producers develop and implement changes to their business. Of those who applied to receive cash payments, two-thirds received it. The median cash payment was relatively low: \$1,605 in fiscal year 2004 and \$2,520 in 2005, but fewer payments were made in 2005 compared to 2004. About 1,000 payments, out of a total of about 8,000 payments, were at the maximum of \$10,000. Salmon and shrimp producers received more than 90 percent of all payments in fiscal year 2004 and 2005 (see fig. 1).

⁴ The estimate of participation in Labor's reemployment services is based upon the survey of TAA for Farmers participants conducted by Washington State University Extension for USDA's risk management education centers. Labor does not routinely track this information.

⁵ The survey collected information on all producers who applied for benefits in fiscal years 2004 and 2005, and analyzed the data using commodity-based groups. The estimate of 3-percent is based on respondents in the majority of groups who reported receiving training from Labor. Some commodity groups, for example, salmon and shrimp fishermen generally reported higher participation.

Figure 1: Salmon and Shrimp Producers Received 92 Percent of Payment Funds, Fiscal Years 2004 and 2005



Source: GAO analysis of USDA data.

Note: Payments for fiscal years 2004 and 2005 totaled \$28,056,454.

Agency officials identified certain criteria in the legislation as factors that may affect individual participation. In particular, the net farm income test—that requires producers to show that income was less in the petition year than the previous year—may disqualify some producers who seek cash payments. In addition, the payment formula, which resulted in most producers receiving less than \$3,000, may also discourage producers from participating.⁶ Low producer participation and low payments have resulted in USDA spending falling far below the \$90 million provided for by the Trade Act—program spending totaled about \$16 million in fiscal year 2004 and \$21 million in 2005. Given the low expenditures, USDA only requests about one-third of the \$90 million in its annual budget request.

Producers were generally satisfied with the technical assistance and thought applying for the cash payment was worthwhile, according to a USDA survey of producers who applied for benefits in fiscal years 2004 and 2005. Overall, at least half of the respondents found that the basic

⁶ See appendix II for more information on the payment formula.

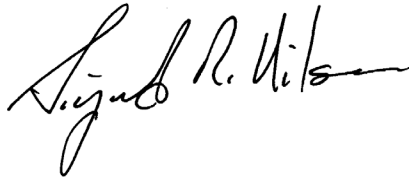
technical assistance training was worthwhile, and about a quarter of the respondents reported making changes to their business as a result of the assistance. Generally, respondents were satisfied with the quality of technical information they received on issues such as how to improve the marketing of their commodity. However, a substantial number of respondents reported that the basic curriculum provided inadequate information on some topics, such as how to evaluate other commodities as substitutions for their own. According to USDA officials, it was the need to provide additional assistance tailored to a specific business that resulted in the development of the intensive technical assistance curriculum. Regarding the cash payment, about 80-percent of respondents said the payment was worth the effort of applying, though slightly more than half of the producers said they experienced some difficulty in applying for and receiving a cash payment. However, the survey provides no insight into why some producers did not apply for benefits at all.

In conclusion, TAA for Farmers is a new program and we have only an early view of how this program is working. While the cash benefits and technical assistance appear to assist farmers and fishermen in adjusting to the effects of import competition on a limited, short-term basis, the cash payments are relatively low and must be approved each year. Furthermore, the criteria for program eligibility are difficult for many farmers and fishermen to meet and the low cash payments may discourage others from applying. As a result, USDA spending for this program is well below the amount provided for by the Trade Act.

We provided a draft of this report to officials at USDA for their technical review and incorporated their comments where appropriate.

As arranged with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution of the report until 30 days from its issue date. At that time, we will send copies of this report to the Secretary of Agriculture, relevant congressional committees, and other interested parties and will make copies available to others upon request. The report will also be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215. You may also reach me by e-mail at nilsens@gao.gov. Key contributors may be found in appendix III.

A handwritten signature in black ink, reading "Sigurd R. Nilsen". The signature is written in a cursive style with a large, stylized "S" and "N".

Sigurd R. Nilsen
Director, Education, Workforce, and Income Security Issues

Appendix I: Briefing slides



Trade Adjustment Assistance for Farmers

**Briefing for Staff of
Senator Charles E. Grassley, Chairman
Senate Committee on Finance
and
Senator Max Baucus, Ranking Minority Member
Senate Committee on Finance**

October 24, 2006



Introduction

- Until the Trade Act of 2002, farmers and fishermen¹ impacted by increased imports typically could not benefit from trade adjustment assistance (TAA) under the Department of Labor's (Labor) TAA program for various reasons, including:
 - Farmers are generally self-employed and rarely qualify for unemployment benefits, and thus TAA benefits.
 - Agricultural producers are less likely than other workers to want to be retrained for a new occupation, which was the emphasis of Labor's TAA program.
- TAA for Farmers, established in the Trade Act of 2002, provides limited, short-term trade adjustment assistance specifically to farmers and fishermen through fiscal year 2007.
- No comprehensive review of the program is currently available to guide reauthorization.

¹ By regulation, the Department of Agriculture extended benefits to qualified fishermen—those whose catch is adversely affected by imported aquaculture products.



Research Objectives

-
- How does the Department of Agriculture (USDA) promote the TAA for Farmers program and to what extent has the agency received and certified petitions from producers?
 - To what extent have participants received benefits, including technical assistance and cash payments?
 - What is known about the results of the program?
-



Scope and Methodology

To address our research objectives, we:

- interviewed USDA program officials and Office of Inspector General staff;
- analyzed USDA program data on petitions, payments, and technical assistance from fiscal years 2004-2006;
- reviewed results from a 2006 survey of TAA for Farmers participants conducted by Washington State University for USDA's risk management education centers, which develop technical assistance for the program; and
- conducted our review from August 2006 to October 2006 in accordance with generally accepted government auditing standards

BACKGROUND



TAA for Farmers Legislation

- The TAA Reform Act of 2002 established a new program of trade adjustment assistance for farmers, providing technical assistance, cash benefits, and access to training and reemployment services offered through the Department of Labor.
- To be eligible, producers (farmers and fishermen) must demonstrate significant price declines (of at least 20 percent) as a result of increased imports, and that imports increased in the year of the petition.
- The statute provides for up to \$90 million for each fiscal year, from 2003 through 2007, to carry out the program.

BACKGROUND



Producers Petition for a Commodity to Be Eligible for the Program

- In order to receive benefits, a group of producers (three or more) or their authorized representatives must submit a petition to USDA.
 - There may be many producers represented under one petition. Petitioners may file on behalf of all producers in an impacted area of one or more states in the United States.
 - The petition must include data showing how the price of the commodity has declined, justification for why the producers should be eligible for assistance, and other information.
 - Petitions are considered for recertification in subsequent years.
-

BACKGROUND



Conditions for Certification

USDA certifies petitions that meet the following criteria:

- Petition must be submitted to USDA between August 15 and January 31
- Average price of the commodity in the marketing year² under review must be at least 20 percent less than the average price over the past 5 marketing years
- Imports of like or directly competing products must have increased during the petition period
- Increase in imports must have “contributed importantly” to the price decline

² “Marketing year” means the marketing season or year as defined by the National Agriculture Statistic Service, or a specific period as proposed by the petitioners and certified by the Administrator of the Foreign Agricultural Service.

BACKGROUND



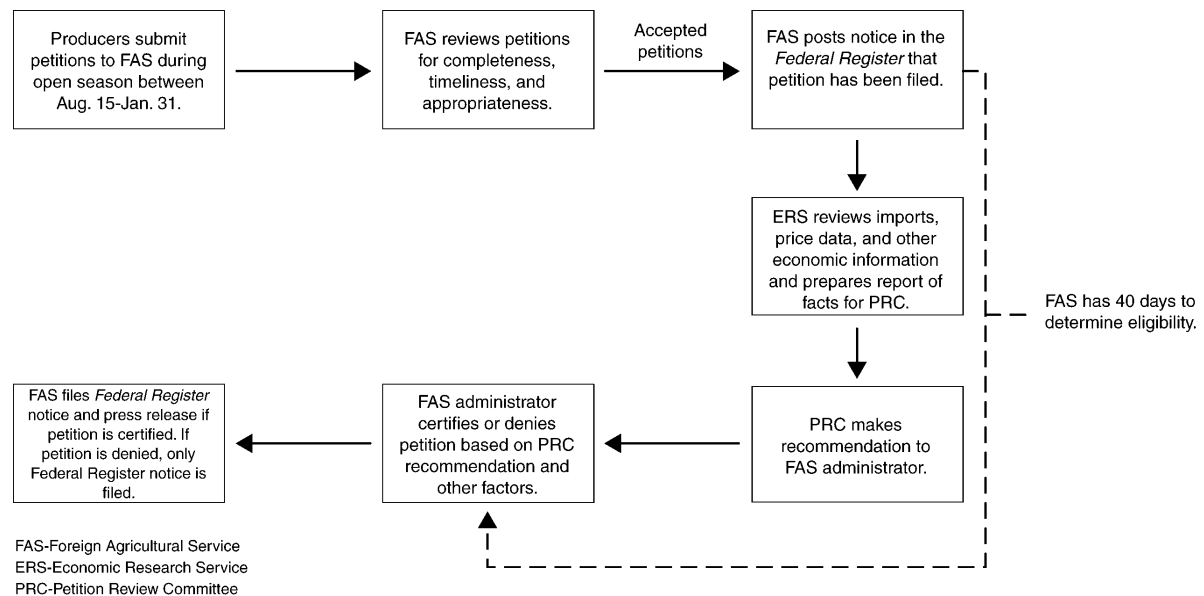
USDA Agency Roles

USDA Agency	Responsibilities for TAA for Farmers
Foreign Agricultural Service (FAS)	•Lead agency for administering the program •Receives and reviews petitions •Determines producers' eligibility to apply for TAA benefits
Economic Research Service (ERS)	•Conducts market study of each petition
Petition Review Committee (PRC)	•Intra-agency committee that reviews ERS study and petition and makes recommendation to FAS Administrator
Farm Service Agency (FSA)	•Assists petitioners in completing applications for cash payments •Provides outreach service to petitioners and producers •Accepts applications and determines producers' cash payment eligibility •Makes payments to all eligible producers
Cooperative State Research, Education, and Extension Service (CSREES)	•Provides technical assistance to producers

BACKGROUND



USDA Petition Process



Source: GAO analysis of USDA information.

BACKGROUND



Producers of Certified Commodities Must Apply to Receive Benefits

- After USDA certifies a petition, producers covered by that petition must apply to receive the following benefits:
 - technical assistance training to improve competitiveness and marketability of the adversely affected commodity and to assess feasibility of substituting a new commodity
 - cash payment for those who meet eligibility requirements each year
- Producers who are eligible for cash payments may also be eligible for career training and reemployment services through Labor

BACKGROUND



Producers Must Meet Additional Conditions to Receive Cash Payments

- Producers include qualified fishermen or owners, operators, landlords, tenants, or sharecroppers who share in the risk of producing a commodity and are entitled to share in the catch or crop available for marketing
- Producers must provide documentation that:
 - Net farm or net fishing income was less than what it was in the previous year³
 - Average gross revenue was less than \$2.5 million for the last 3 years
 - They received the technical assistance training provided by USDA's Cooperative State Research, Education, and Extension Service (CSREES)

³ For recertified petitions, the term "previous year" is the year before the first petition was approved.

BACKGROUND



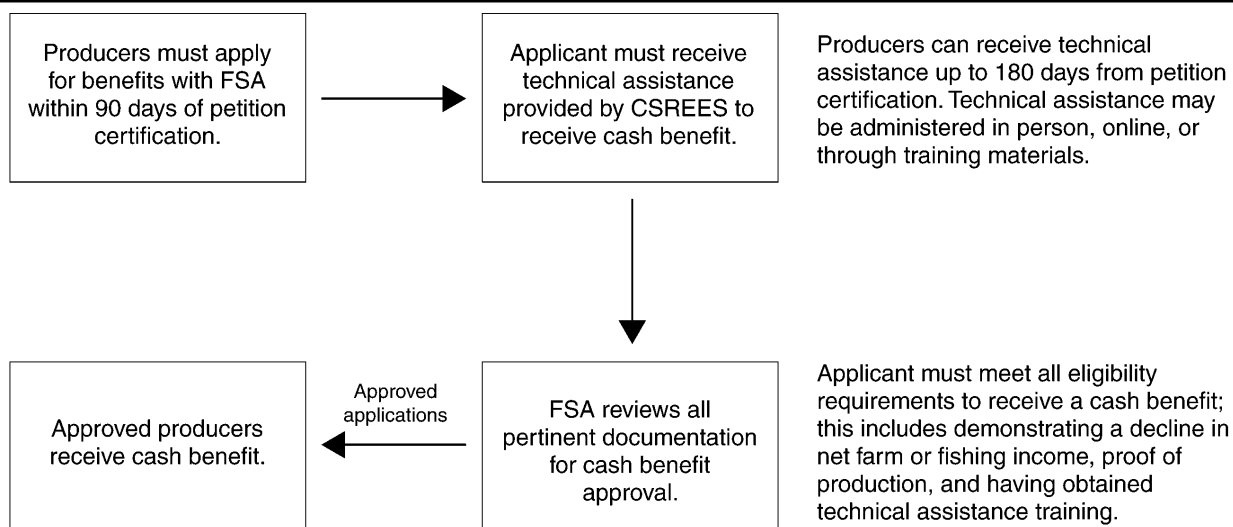
Producers' Cash Benefits Are Capped

- Each producer can receive no more than \$10,000 in TAA payments per federal fiscal year.
- Each producer may not receive more than \$65,000 a year in both TAA payments and countercyclical payments, which are another form of federal farm income support for certain commodities.
- Payments are based on a standard formula, which replaces a portion of the lost income from a price decline.

BACKGROUND



Payment Application Process



FSA-Farm Service Agency
CSREES-Cooperative State Research, Education, and Extension Service

Source: GAO analysis of USDA information.

Note: Applications that cannot be approved by FSA are sent to the Foreign Agricultural Service for disapproval.

OBJECTIVE 1: PETITIONS



USDA Promotes Program through Federal Register, Local Media, and Other Means

- The Foreign Agricultural Service announces the petition process through a *Federal Register* notice, distributes press releases in local media and trade publications, and has e-mailed state secretaries of agriculture to inform them about the program's benefits and requirements.
- The Farm Service Agency (FSA) announces certified petitions and publicizes the application process through notification letters sent to all known producers identified by the petitioner and FSA county offices, holds town hall meetings to discuss the program, and if appropriate, publishes information in multiple languages.

OBJECTIVE 1: PETITIONS



USDA Has Certified and Denied About the Same Number of Petitions to Date

Out of 101 petitions submitted to date, 64 petitions from fiscal years 2004-2006 were considered complete, appropriate, and timely, and were accepted for review:

- 30 petitions were certified:
 - Half covered shrimp producers in multiple states.
 - Others generally covered specialty commodities with small markets that do not receive benefits from other USDA programs, e.g., Concord grapes, lychees, and snapdragons.
- 34 petitions were denied:
 - Half were up for recertification for a subsequent year. For example, in fiscal year 2006 all 8 shrimp petitions up for recertification were denied because they could not demonstrate a further increase in imports.
 - The remainder generally did not meet certain other program criteria.

OBJECTIVE 1: PETITIONS



Certified Petitions, Fiscal Years 2004-2006

2004

Catfish (multistate)
 Lychees (Florida)
 Salmon (Alaska)
 Salmon (Washington)
 Shrimp (Alabama)
 Shrimp (Arizona)
 Shrimp (Florida)^a
 Shrimp (Georgia)
 Shrimp (North Carolina)
 Shrimp (South Carolina)
 Shrimp (Texas)
 Wild blueberries (Maine)

2005

Concord grapes (PA, NY, OH)
 Fresh potatoes (Idaho)
 Lychees (Florida)
 Olives (California)
 Salmon (Alaska)
 Salmon (Washington)
 Shrimp (Alabama)
 Shrimp (Arizona)
 Shrimp (Georgia)
 Shrimp (Louisiana)
 Shrimp (Mississippi)
 Shrimp (North Carolina)
 Shrimp (South Carolina)
 Shrimp (Texas)

2006

Avocados (Florida)
 Concord grapes (Michigan)
 Concord grapes (Washington)
 Snapdragons (Indiana)

^a While the first petition submitted on behalf of Florida shrimp producers was denied, USDA certified a revised petition submitted in the same fiscal year.

OBJECTIVE 1: PETITIONS



Denied Petitions, Fiscal Years 2004-2006

2004

Alfalfa seed (regional)
 Catfish (Michigan)
 Crawfish (Louisiana)
 Garlic (California)
 Longans (Florida)
 Navel oranges (California)
 Olives (California)
 Prawns (Kentucky)
 Rice (national)
 Salmon (Oregon)
 Shrimp (Florida)
 Shrimp (Mississippi)
 York apples (Virginia)

2005

Avocados (Florida)
 Cabbages (New York)
 Catfish (multistate)
 Seed potatoes (Washington)
 Shrimp (Florida)
 Wild blueberries (Maine)

2006

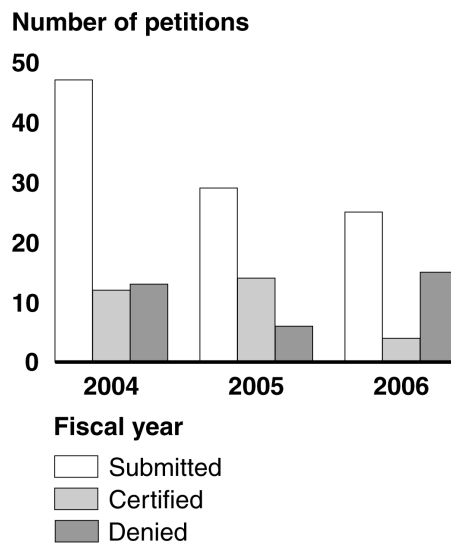
Concord grapes (PA, OH, NY)
 Fresh potatoes (Idaho)
 Fresh potatoes (Washington)
 Lychees (Florida)
 Olives (California)
 Salmon (Alaska)
 Salmon (Washington)
 Shrimp (Alabama)
 Shrimp (Arizona)
 Shrimp (Georgia)
 Shrimp (Louisiana)
 Shrimp (Mississippi)
 Shrimp (North Carolina)
 Shrimp (South Carolina)
 Shrimp (Texas)

OBJECTIVE 1: PETITIONS



Petition Submissions Have Declined

FY 2004-2006 TAA for Farmers petitions



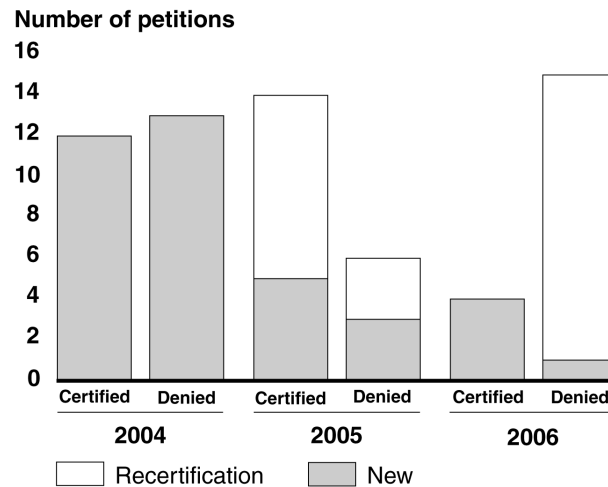
Source: GAO analysis of USDA data.

Note: The number of certified and denied petitions do not sum to the total number of petitions submitted. Some submitted petitions are returned without further review if FAS determines that they are not complete, timely, or appropriate.

OBJECTIVE 1: PETITIONS



Many Petitions Were for Recertifications and None Were Approved in Fiscal Year 2006



Source: GAO analysis of USDA data.

OBJECTIVE 1: PETITIONS



Program Criteria Have Limited Producer Certification, According to USDA Officials

- Petition denials have increased over time because commodities often fail to meet the 20-percent price decline requirement, officials say.
- Recertification is difficult in part because:
 - The level of imports in the recertification year must be greater than the previous year, and
 - Imports must still contribute importantly to the decline in price.

OBJECTIVE 2: BENEFITS-TECHNICAL ASSISTANCE



Producers Received Technical Assistance Through Various Means

- Over 13,000 producers have received technical assistance.
 - USDA provides technical assistance in person, online or through training materials. For example:
 - About 230 workshops were provided to Alaska salmon producers in a year.
 - Catfish producers nationwide had access to online training workshops and referrals to other resources.
 - USDA's Cooperative State Research, Education, and Extension Service (CSREES) has implemented a basic (Phase One) and recently introduced an intensive (Phase Two) technical assistance curriculum.
-

OBJECTIVE 2: BENEFITS-TECHNICAL ASSISTANCE



Phase One: Basic Technical Assistance Curriculum

- Mandatory workshop for all certified producers who wish to apply for cash benefits, divided into four areas:
 - **Overview**—informs producers of program and other assistance available
 - **Where am I?**—includes discussions on world trade situation and outlook, evaluating financial viability of the business, etc.
 - **Where do I want to be?**—includes discussions on production efficiencies, marketing opportunities, and alternative enterprises
 - **How do I get there?**—includes brief discussion on resources available at Phase Two training
-

OBJECTIVE 2: BENEFITS-TECHNICAL ASSISTANCE



Phase Two: Intensive Technical Assistance Curriculum

- Optional program available to producers since January 2006 that provides individual counseling to improve competitiveness and profitability, specifically addressing:
 - **Commodity assessment**—provides advice on producing a higher quality product, reducing production costs, etc.;
 - **Assistance analyzing business and options**—provides resources for producers to develop a financial analysis of current business, new marketing plan, etc.; and
 - **Written technical assistance plan**—includes financial projection of selected alternatives, business and marketing plan, and an implementation plan.
-

OBJECTIVE 2: BENEFITS-CASH PAYMENT



Two-Thirds of Applicants Received Cash Payments in Fiscal Years 2004 and 2005

- Producers submitted nearly 12,000 applications for cash payments for fiscal years 2004 and 2005.
- USDA provided over 8,000 cash payments to producers.
- The median payment for 2004 was \$1,605; for 2005, the median payment was \$2,520.
- About 1,000 payments of the maximum of \$10,000 were made, primarily to shrimp and salmon producers.

OBJECTIVE 2: BENEFITS-CASH PAYMENT



About Half of Cash Payment Denials Were Attributed to the Net Income Test in FY 2005

- USDA denied over 2,000 applications in fiscal year 2005⁴
 - Over 1,000 of the applications were denied because producers could not document a decline in net income.
 - Other key reasons applications were denied:
 - Producers failed to participate in required technical assistance training, and
 - Producers could not document that their average gross revenue was less than \$2.5 million over the last 3 years.

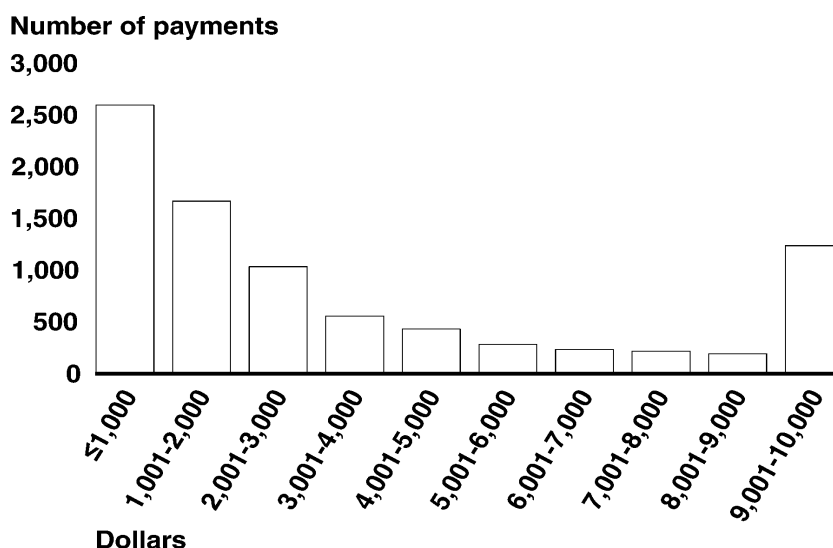
⁴ No information is available for cash payment applications denied during fiscal year 2004.

OBJECTIVE 2: BENEFITS-CASH PAYMENT



More Than Half of the Payments in Fiscal Years 2004 and 2005 Were \$3,000 or Less

Payment distribution for TAA for Farmers program



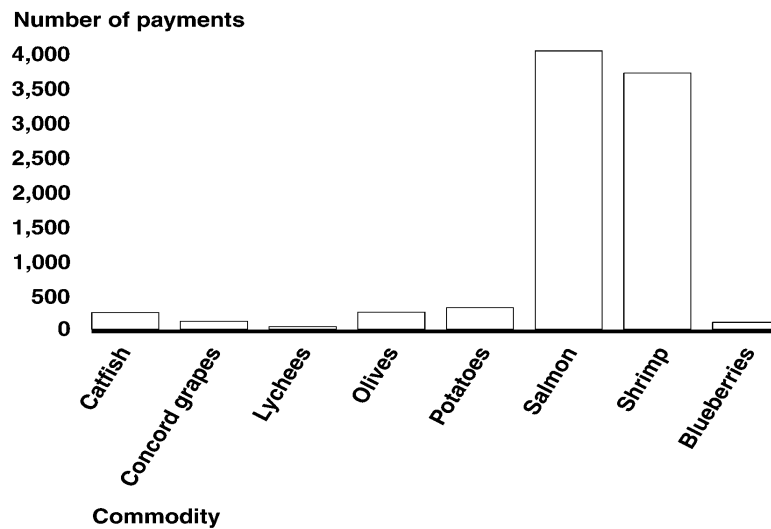
Source: GAO analysis of USDA data.

OBJECTIVE 2: BENEFITS-CASH PAYMENT



Salmon and Shrimp Producers Received Most Payments, in Fiscal Years 2004 and 2005

Distribution of payments by commodity



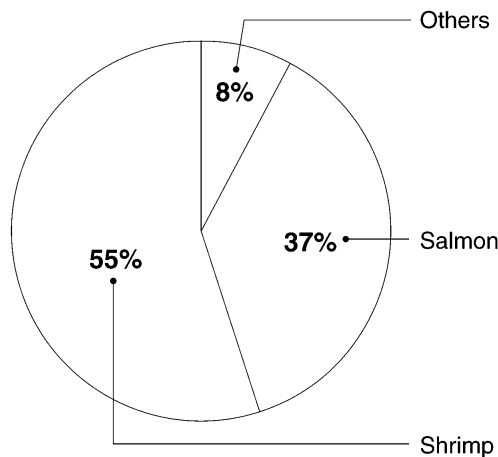
Source: GAO analysis of USDA data.

OBJECTIVE 2: BENEFITS-CASH PAYMENT



Salmon and Shrimp Producers Received 92 Percent of Payment Funds, FY 2004 and 2005

Distribution of monies per commodity
Payments for fiscal years 2004 and 2005 totaled \$28,056,454



Source: GAO analysis of USDA data.

Note: Others includes olives, lychees, catfish, Concord grapes, potatoes, and blueberries.

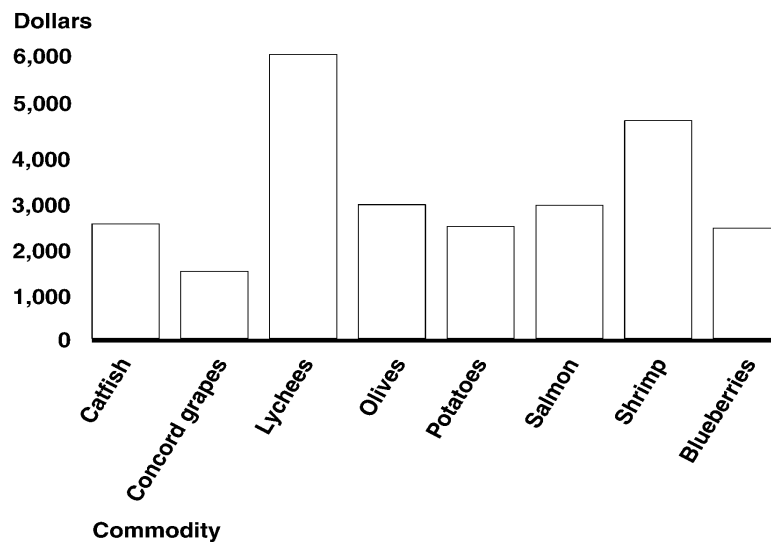
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OBJECTIVE 2: BENEFITS-CASH PAYMENT



Lychee and Shrimp Producers Received Highest Average Payments, FY 2004 and 2005

Average payment per commodity



Source: GAO analysis of USDA data.

OBJECTIVE 2: BENEFITS-CASH PAYMENT



USDA Officials Identified Factors that May Affect Individual Participation

- Net farm income test limits cash payment eligibility
 - To qualify for payment, unlike other USDA programs, producers must show that the entire net farm income was less in the petition year than the previous year.
 - Officials say this criterion has disqualified producers who may have had negative net income 2 years in a row, but whose negative income in the second year was less than in the first.
- USDA officials told us that low payment rates may discourage some producers from participating
 - Payment formula may result in low payments compared to producers' lost income from price declines (see app II).
 - For example, a grape producer who lost \$74 per ton in the petition year would receive a benefit of \$9.80 per ton.

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OBJECTIVE 2: BENEFITS



Low Participation and Payments Have Led to Low USDA Expenditures

- USDA expenditures on technical assistance and cash payments each fiscal year are far below the \$90 million provided for the TAA for Farmers program.
 - 2004 cash payments: \$13.6 million
 - 2004 technical assistance: \$1.1 million
 - 2005 cash payments: \$14.4 million
 - 2005 technical assistance: \$1.3 million
- Given the low expenditures, USDA only requests about one-third of the \$90 million in its annual budget request. Unexpended appropriations are returned to the Treasury.

OBJECTIVE 2: BENEFITS-LABOR RETRAINING



Few Producers Have Participated in Labor Training and Reemployment Services

- Producers approved by USDA for a cash payment under TAA for Farmers are eligible for Department of Labor training and reemployment services.
- However, producers are not eligible for other Labor benefits, such as relocation allowances, the Health Coverage Tax Credit, or Alternative Trade Adjustment Assistance, unless they qualify under Labor's TAA criteria.
- According to a 2006 survey, 3 percent or less of respondents in the majority of surveyed groups reported receiving training from Labor although salmon and shrimp fishermen generally reported higher participation.

OBJECTIVE 3: ASSESSMENTS



One Survey of the Program Has Been Conducted to Date

- USDA's Western Center for Risk Management Education conducted a 2006 survey through the Washington State University Extension to obtain the views of producers receiving benefits on an array of issues, including technical assistance, cash assistance, and Labor training
- The survey included all producers who applied for benefits in fiscal years 2004 and 2005⁵ and placed these producers in 16 groups:
 - shrimp producers in 8 states;
 - salmon producers in 2 states;
 - other 6 groups include producers of blueberries, catfish, Concord grapes, lychees, olives, and potatoes

⁵ The survey included all producers except for salmon and shrimp, a sample of the population for these two commodities was used in the survey.

OBJECTIVE 3: ASSESSMENTS



Survey Limitations

- The number of respondents for some of the groups was small, ranging from 902 for one group to as few as 16 for another group
 - The number of lychee producers was very small; therefore, we excluded this group from our analysis of the survey
 - Of the 15 remaining groups, a total of 6,413 producers were surveyed
 - A total of 2,960 producers (excluding lychee producers) completed the survey
- Response rates also were relatively low for some groups, ranging from as high as 82 percent for one group to as low as 48 percent for another
- Despite these limitations, however, we feel that the data are of sufficient quality that we can provide general information on the survey results

OBJECTIVE 3: ASSESSMENTS



Respondents Generally Satisfied with Quality of Information Provided in Phase One

- Generally, 60 to 85 percent of respondents in a majority of the groups reported the technical information they received was at least somewhat adequate for most topics, such as:
 - how to improve the marketing of the producer's commodity and
 - how to increase the value of the producer's crop.
- However, 20 to 40 percent of respondents in most groups found the technical information provided in Phase One not adequate on some topics, such as:
 - how to evaluate other commodities that might be substitutions for their current commodity and
 - how to identify a creative or innovative strategy for improving the producer's business.

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OBJECTIVE 3: ASSESSMENTS



Most Found Technical Assistance Worthwhile, but Fewer Made Business Changes

Of the 15 groups of producers we used in our analysis:

- At least half of the respondents in most groups found the Phase One technical assistance mostly or very worthwhile, although 10 to 20 percent of respondents in most groups found it not worthwhile.
- Around a quarter of the respondents in all groups reported making changes to their business as a result of Phase One TAA technical assistance training, while roughly three-quarters reported they made no changes.
- For almost all groups, a quarter to half of the respondents were interested in more intensive business management assistance.

OBJECTIVE 3: ASSESSMENTS



Most Respondents Said Cash Payment Worth Effort to Apply, Despite Some Difficulties

- In most groups, over half of the producers experienced some difficulty in applying for and receiving the cash payment.
- At least 80 percent of respondents in most groups who pursued the payment said the benefit was worth the effort to apply.
- Over 20 percent of respondents in most groups who received cash payments reported using the payments to make changes to their businesses.
- However, since only producers who applied for benefits were included in the survey, findings do not provide insight into reasons other producers did not apply.



Concluding Observations

-
- TAA for Farmers is a new program, and we have only an early view of how this program is working.
 - Current program structure appears to assist producers in adjusting to the effects of import competition on a limited, short-term basis. However, aspects of the program may limit participation.
 - To date, the number of petitions certified and median cash payments remain low. As a result, USDA annual spending is well below the amount provided for by the Trade Act of 2002.
-

Appendix II: Cash Payment Formula

A cash payment is one of three benefits producers may receive through the TAA for Farmers program. Each eligible producer may receive a cash payment of up to \$10,000 each federal fiscal year.

The amount of money a producer receives is based on how much of the commodity he or she produced and how steeply the national price fell from the previous 5 marketing years.¹ One program requirement is that the price declines at least 20 percent as a result of imports of a like or directly competing commodity.

Specifically, payments are calculated on the basis of the following formula:

Table 1: Adjustment Assistance Payment Formula		
Total units of the commodity produced	Multiplied by (X)	Half of the difference between 80 percent of the average national price of the commodity for the 5 previous years and the national average price for the most recent year
# Units	X	$\frac{[(\text{Ave. price for 5 years} \times 80\%) - \text{current price}]}{2}$

Source: GAO analysis of adjustment assistance payment formula.

Table 2 gives some examples of how cash payments for several commodities may be calculated and how the payments compare to the price decline.

¹ For petition recertification USDA uses the average of the 5 years in the original petition. For example, the Alaska salmon 2005 petition used the 5-year average of years 1997-2001. In addition, the “marketing year” means the marketing season or year as defined by the National Agriculture Statistic Service, or a specific period as proposed by the petitioners and certified by the Administrator of the Foreign Agricultural Service.

Table 2: Examples of USDA Cash Payments

Commodity	Total units produced	Multiplied by (X)	Half of the difference in prices	=	Total payment	Price decline
Concord grapes	100 tons	X	$\frac{[(\$272 \times 80\%) - \$198]}{2}$	=	\$980.00 (\$9.80 per ton)	\$74.00 per ton
Lychees	10,000 pounds	X	$\frac{[(\$2.61 \times 80\%) - \$0.98]}{2}$	=	\$5,540.00 (\$0.554 per pound)	\$1.63 per pound
Alaska salmon	95,000 pounds	X	$\frac{[(\$0.403 \times 80\%) - \$0.261]}{2}$	=	\$2,916.50 (\$0.0307 per pound)	\$0.142 per pound
California olives	100 tons	X	$\frac{[(\$598 \times 80\%) - \$432]}{2}$	=	\$2,320.00 (\$23.20 per ton)	\$166.00 per ton

Source: GAO analysis of USDA payment rates.

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contact

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Related GAO Products

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