

January 1997

FARM PROGRAMS

Efforts to Achieve Equitable Treatment of Minority Farmers



**Resources, Community, and
Economic Development Division**

B-275744

January 24, 1997

The Honorable Bob Smith
Chairman
The Honorable Charles W. Stenholm
Ranking Minority Member
Committee on Agriculture
House of Representatives

For a number of years, minority farmers have expressed concern that U. S. Department of Agriculture (USDA) officials do not treat them in the same way as nonminority farmers in the conduct of USDA's programs, particularly in decisions made in the Department's county offices and district loan offices. Because of this concern, the former Chairman and Ranking Minority Member requested in April 1996 that we review the efforts of the Department's Farm Service Agency (FSA) to conduct farm programs in an equitable manner. Specifically, they asked us to (1) identify FSA's efforts to treat minority farmers in the same way as nonminority farmers in delivering program services; (2) examine the representation of minorities in county office staffing and on county committees in the counties with the highest numbers of minority farmers; and (3) examine data on the disposition of minority and nonminority farmers' applications for participation in the Agricultural Conservation Program (ACP) and the direct loan program at the national level and in five county and five district loan offices.

The county and district offices we visited were chosen because they had higher disapproval rates for minority farmers than for nonminority farmers for the ACP and the direct loan program or because they were located in counties with high numbers of minority farmers. Because the number of offices we visited was small, we cannot generalize our findings to FSA's offices nationwide.

Results in Brief

The Farm Service Agency's Civil Rights and Small Business Development Staff oversees the agency's efforts to achieve equitable treatment for minority farmers. While we did not evaluate the quality and thoroughness of the Staff's activities, we noted that a number of efforts are ongoing in this area. The Staff investigates and resolves complaints of discrimination, conducts management evaluations of compliance with civil rights laws, and trains Farm Service Agency staff in equal employment opportunity and civil rights issues. In fiscal years 1995 and 1996, the Staff closed 28

complaints of discrimination against farmers on the basis of race or national origin. It found discriminatory practices in 2 of the 28 cases. In addition, as part of its routine assessments of the Farm Service Agency's overall operations in 13 states, the Staff assessed the performance of the agency's employees in treating all farmers equitably. None of the evaluations found that minority farmers were being treated unfairly. The Staff has also trained about one-half of the Farm Service Agency's employees in equal employment opportunity and civil rights matters and expects to finish training all of the employees by the end of 1997. In addition to these Staff activities, the Farm Service Agency, in July 1996, created an outreach office to increase minority farmers' participation in, and knowledge of, the Department's agricultural programs.

At the time of our review, 32 percent of the Farm Service Agency's employees serving the 101 counties with the highest numbers of minority farmers were members of a minority group. About 90 percent of these employees were county executive directors or program assistants involved in conducting and managing the Farm Service Agency's programs. Minority farmers make up about 17 percent of the farmer population in these counties. In 36 of the 101 counties, at least one minority farmer was a member of the county committee.

At the national level, the Farm Service Agency's data show that applications for the Agricultural Conservation Program in fiscal year 1995 and for the direct loan program from October 1994 through March 1996 were disapproved at a higher rate for minority farmers than for nonminority farmers. For the Agricultural Conservation Program, the rate of disapproval was 33 percent for minority applicants and 27 percent for nonminority applicants. For the direct loan program, the disapproval rate was 16 percent for minority applicants and 10 percent for nonminority applicants. The average time for processing loans was about the same: 88 days for minorities and 86 days for nonminorities.

Three of the five county offices we visited had higher disapproval rates for minority farmers than for nonminority farmers applying to the Agricultural Conservation Program, and three of the five district loan offices we visited had higher disapproval rates for minority farmers than for other farmers applying for the direct loan program. Our review of the information in the application files in these offices showed that decisions to approve or disapprove applications were supported by information in the files and that decision-making criteria appeared to be applied to minority and nonminority applicants in a similar fashion. For example, applications for

the Agricultural Conservation Program were denied for lack of funds, and applications for direct loans were turned down because of poor credit ratings.

Background

Within USDA, FSA has the overall administrative responsibility for implementing agricultural programs. FSA is responsible for, among other things, stabilizing farm income, helping farmers conserve environmental resources, and providing credit to new or disadvantaged farmers. FSA's management structure is highly decentralized; the primary decision-making authority for approving loans and applications for a number of agricultural programs rests in its county and district loan offices. In county offices, for example, committees, made up of local farmers, are responsible for deciding which farmers receive funding for the ACP.¹ Similarly, FSA officials in district loan offices decide which farmers receive direct loans.

At the time of our review, the ACP provided funds for conservation projects that, among other things, controlled erosion resulting from planting and harvesting crops and alleviated water quality problems caused by farming, such as the pollution produced by animal waste. The federal government generally paid up to 75 percent of a project's cost, up to a maximum of \$3,500 annually. FSA, in conjunction with other departmental agencies, set national priorities for the program, and FSA allocated funds annually to the states on the basis of these priorities. The states in turn distributed funds to the county committees on the basis of the states' priorities. Farmers could propose projects at any time during the fiscal year, and the county committees could approve the proposals at any time after the funds became available. Consequently, county committees often obligated their full funding allocation before receiving all proposals for the year.

The district loan offices administer the direct loan program, which provides farm ownership and operating loans to individuals who cannot obtain credit elsewhere at reasonable rates and terms. Each district loan office is responsible for one or more counties. The district loan office's agricultural credit manager is responsible for approving and servicing these loans. FSA accepts a farmer's loan application documents, reviews

¹Section 336 of the Federal Agricultural Improvement and Reform Act of 1996 (P.L. 104-127, Apr. 4, 1996), known as the 1996 farm bill, repealed the ACP and replaced it with the Environmental Quality Incentives Program. However, during the time of our review, FSA continued to operate the ACP as it had done previously because the Department had not issued guidance for the new program. For fiscal year 1997, the new program will be administered jointly by FSA and the Department's Natural Resources and Conservation Service.

and verifies these documents, determines the applicant's eligibility to participate in the loan program, and evaluates the applicant's ability to repay the loan. In servicing these loans, FSA assists in developing farm financial plans, collects loan payments, and restructures delinquent debt.

For both the ACP and the direct loan program, as well as other programs, farmers may appeal disapproval decisions to USDA's National Appeals Division (NAD). For the period of our review, about 7 percent of the direct loan appeals to the Division were from minority farmers. In April 1991,² we reported that NAD had reversed loan application decisions at comparable rates for minorities and nonminorities. NAD's database does not separately identify appeals from ACP applicants; we therefore could not obtain this type of data for the ACP.

Recently, some minority farmers publicized their concerns that the Department, among other things, takes longer to process the loan applications of minority farmers than of other farmers and has denied debt relief to minority farmers. Subsequently, the Secretary of Agriculture promised to (1) create a civil rights action team to look at the Department's treatment of minority farmers, as well as other related issues, and (2) hold national and statewide forums on the issue early in 1997. In addition, the Secretary suspended all farm foreclosures and asked the Department's Office of Inspector General to review the Department's system for handling discrimination complaints, including the length of time taken to investigate and resolve such complaints.³

Ongoing Efforts to Enhance Minority Farmers' Participation in Farm Programs

FSA's efforts to achieve equitable treatment for minority farmers are overseen by the agency's Civil Rights and Small Business Development Staff. To carry out its responsibilities, the Staff (1) investigates farmers' complaints of discrimination in program decisions, (2) conducts management evaluations of FSA's field offices to ensure that procedures designed to protect civil rights are being followed, and (3) provides equal employment opportunity (EEO) and civil rights training to its employees. In addition to these efforts, FSA recently increased its outreach activities to

²Farmers Home Administration: Information on Appeals of Farm and Housing Loan Decisions (GAO/RCED-91-106, Apr. 9, 1991).

³Five lawsuits alleging racial discrimination in the direct loan program have been consolidated for trial in the Federal District Court for the District of Columbia. The court is considering whether the plaintiffs can make the litigation a class action lawsuit, i.e., a lawsuit that would include all minority farmers.

minority farmers to encourage their involvement in the Department's programs, including their signing of 7-year production flexibility contracts.⁴

Civil Rights and Small Business Development Staff

FSA's Civil Rights and Small Business Development Staff is responsible for evaluating the agency's compliance with civil rights requirements. While we did not evaluate the quality and thoroughness of the Staff's activities, we noted that a number of efforts are ongoing in this area. The Staff has investigated a number of discrimination complaints filed by farmers. During fiscal years 1995 and 1996, the Staff closed 28 cases in which discrimination was alleged on the basis of race or national origin. In 26 of these cases, the Staff found no discrimination. In the other two cases, the Staff found that FSA employees had discriminated on the basis of race in one case and national origin in the other. USDA has not resolved how it will deal with the employees and compensate the affected farmers. As of January 7, 1997, the Staff had 110 cases of discrimination alleged on the basis of race or national origin under investigation. Ninety-one percent of these cases were filed since January 1, 1995.

In addition to investigating individual complaints of discrimination, the Staff periodically evaluates state and county offices' compliance with EEO and civil rights requirements as part of its routine assessments of these offices' overall operations. During fiscal years 1995 and 1996, the Staff evaluated management activities within 13 states. None of the evaluations concluded that minority farmers were being treated unfairly.

Beginning in 1993, the Staff began to present revised EEO and civil rights training to all FSA state and county employees. About half of the FSA employees have been trained, according to the Staff, and all are scheduled to complete this training by the end of 1997. The training covers such areas as civil rights (program delivery) and EEO counseling, mediation, and complaints.

Outreach to Minority Farmers

FSA has efforts under way to inform all farmers about USDA's programs, as well as special efforts to keep minority farmers informed about and enrolled in these programs. To reach all farmers, county offices maintain updated mailing lists and, through periodic newsletters and other

⁴Under the 1996 farm bill, farmers may enter into binding 7-year production flexibility contracts with the federal government for certain crops—wheat, feed grains, upland cotton, and rice. The government's payments to farmers for each crop are allocated each fiscal year on the basis of budgetary levels and crop-specific percentages established in the act.

announcements, keep all those who own or operate farms in a county informed about new programs and program requirements.

In addition to its general outreach activities, FSA has specific efforts to increase minority farmers' participation in agricultural programs. For example, since September 1993, the Small Farmer Outreach Training and Technical Assistance Program has made grants available to at least 28 entities for outreach and assistance to minority farmers. These entities include such institutions as historically black and Native American colleges and universities. Among other things, grant recipients assist applicants in applying for loans and in developing sound farm management practices. Over 2,500 FSA borrowers have been served by these efforts. FSA has also assisted Native American farmers by establishing satellite offices on reservations.

More recently, in July 1996, FSA created an outreach office to increase minority farmers' knowledge of, and participation in, the Department's agricultural programs. According to FSA officials, the office is currently identifying the outreach services that FSA already provides to minority farmers and is assessing the need for additional efforts.

FSA hired the Federation of Southern Cooperatives to increase the number of minority farmers participating in the 1996 farm bill's 7-year production flexibility contracts. It has also trained members of the Rural Coalition in the process for electing county committee members. The Rural Coalition consists of several grass-roots groups that provide outreach to minorities in order to increase the number of minorities nominated and elected to county committees.

Employment of Minority Staff in County Offices and Representation of Minority Farmers on County Committees

In the 101 counties with the highest numbers of minority farmers, representing 34 percent of all minority farmers in the nation, FSA employees and county committee members were often members of a minority group. About one-third of the employees were members of a minority group, and slightly more than one-third of the county committees had at least one minority farmer as a committee member.

Minority Employment in County Offices

Thirty-two percent of the FSA employees serving the 101 counties with the highest numbers of minority farmers were members of a minority group.

Eighty-nine percent of these employees were county executive directors, who manage the operations of FSA's programs, or program assistants, who, among other things, provide information on programs to farmers. In the offices serving 77 of these counties, at least one staff member was from a minority group, and in 29 of these offices, the executive director was a member of a minority group. In these 101 counties, minority farmers make up about 17 percent of the farmer population.

At the time of our visits, 7 of the 10 county and district loan offices included in our review had at least one minority employee. The executive directors of two county offices, Holmes, Mississippi, and Duval, Texas, were members of a minority group, as were the managers of two district loan offices, Elmore, Alabama, and Jim Wells, Texas, and the deputy managers of three district loan offices, Holmes, Jim Wells, and Byron, Georgia.

The number of minority employees could change as FSA continues its current reorganization. FSA plans to decrease its field structure staff from 14,683 in fiscal year 1993 to 11,729 in fiscal year 1997—a change of about 20 percent. We do not know how this reduction will affect the number of minority employees in county and district loan offices.

Minority Representation on County Committees

Until recently, FSA required that in any county in which minority owners and operators accounted for 5 percent or more of those eligible to vote in committee elections,⁵ a minority farmer must be placed on the ballot. FSA further required that if these counties did not elect a minority farmer to the county committee, the committee must appoint a minority adviser.

As we reported in 1995,⁶ minority farm owners and operators, nationwide, accounted for about 5 percent of those eligible to vote for committee members, and about 2 percent of the county committee members came from a minority group. In our current review, we found that for the 101 counties with the highest numbers of minority farmers, 36 had at least one minority farmer on the county committee. In the five county offices we visited, two committees had minority members and the other three had minority advisers.

⁵Eligible voters include landowners, farm operators, sharecroppers, or tenants farming in a county, regardless of where they live.

⁶Minorities and Women on Farm Committees (GAO/RCED-95-113R, Mar. 1, 1995).

In February 1996, the President issued a memorandum directing federal agencies to apply revised standards to their affirmative action programs to take into account changes that have occurred since the programs were first instituted.⁷ As a result, according to the Department, FSA can no longer require that minorities be placed on the county committee ballots in counties where 5 percent or more of the eligible voters are members of a minority group. However, FSA officials informed us that their policy requires state committees to ensure that county committees fairly represent all agricultural producers in their jurisdiction and that, when needed, minority advisers be used to ensure minority representation.

Reasons Provided for Disapprovals of ACP and Direct Loan Applications

According to FSA's data, applications for the ACP for fiscal year 1995 and for the direct loan program from October 1994 through March 1996 were disapproved at a higher rate nationwide for minority farmers than for nonminority farmers. To develop an understanding of the reasons for disapprovals, we examined the files for applications submitted under both programs during fiscal years 1995 and 1996 in five county and five district loan offices. We chose these offices because they had higher disapproval rates for minority farmers or because they were located in areas with large concentrations of farmers from minority groups.

Reasons for Disapproval of ACP Applications

Nationally, during fiscal year 1995, the disapproval rates for applications for ACP funds were 33 percent for minority farmers and 27 percent for nonminority farmers. We found some differences in the disapproval rates for different minority groups. Specifically, 25 percent of the ACP applications from Native American and Asian American farmers were disapproved, while 34 percent and 36 percent of the applications from African American and Hispanic American farmers, respectively, were disapproved.

To develop an understanding of the reasons why disapprovals occurred, we examined the ACP applications for fiscal years 1995 and 1996 at five county offices.⁸ Table 1 shows the number of ACP applications during this

⁷This memorandum was issued to take into account the Supreme Court's decision in *Adarand Contractors, Inc. v. Peña* 115 S. Ct. 2097 (1995). This case held that federal affirmative action programs using racial and ethnic criteria as a basis for decision-making are subject to strict court scrutiny. An affirmative action program will be allowed only if it serves a compelling government interest and is narrowly tailored to serve such an interest.

⁸For one of these offices—Glacier, Montana—we reviewed all applications through September 30, 1996. For the other four offices, we limited our review to the applications whose processing had been completed at the time of our visit. These visits occurred between June and October 1996.

period from minority and nonminority farmers in each of the five counties, as well as the number and percent of applications that were disapproved.

Table 1: ACP Disapproval Rates in Five County Offices

County office	Minority applications			Nonminority applications		
	Total number	Number disapproved	Percent disapproved	Total number	Number disapproved	Percent disapproved
Russell, Alabama	18	11	61	96	47	49
Dooly, Georgia	5	0	0	29	0	0
Holmes, Mississippi	28	16	57	88	38	43
Glacier, Montana	74	9	12	47	6	13
Duval, Texas	146	62	42	45	15	33

When ACP applications were received in the county offices we visited, they were reviewed first for compliance with technical requirements. These requirements included such considerations as whether the site was suitable for the proposed project or practice, whether the practice was still permitted, or whether the erosion rate at the proposed site met the program's threshold requirements.

Following this technical evaluation, if sufficient funds were available, the county committees approved all projects that met the technical evaluation criteria. This occurred for all projects in Dooly County and for a large majority of the projects in Glacier County. In Holmes County, the county committee ranked projects for funding using a computed cost-per-ton of soil saved, usually calculated by the Department's local office of the Natural Resources Conservation Service. The county committee then funded projects in order of these savings until it had obligated all funds.

In the remaining two counties, Russell and Duval, the county committees, following the technical evaluations, did not use any single criterion to decide which projects to fund. For example, according to the county executive director in Russell County, the committee chose to fund several low-cost projects submitted by both minority and nonminority farmers rather than one or two high-cost projects. It also considered, and gave higher priority to, applicants who had been denied funds for eligible projects in previous years. In contrast, the Duval county committee decided to support a variety of farm practices. Therefore, it chose to allocate about 20 percent of its funds to projects that it had ranked as having a medium priority. These projects were proposed by both minority and nonminority farmers.

In the aggregate, 98 of 271 applications from minority farmers were disapproved in the five county offices we visited. Thirty-three were disapproved for technical reasons and 62 for lack of funds. FSA could not find the files for the remaining three minority applicants. We found that the applications of nonminority farmers were disapproved for similar reasons. Of the 305 applications for nonminority farmers we reviewed, 106 were disapproved. Fifty-three were disapproved for technical reasons and 52 for lack of funds. FSA could not find the file for the remaining applicant. Approval and disapproval decisions were supported by material in the application files, and the assessment criteria used in each location were applied consistently to applications from minority and nonminority farmers.

Reasons for Disapproval of Direct Loan Applications

Nationally, the vast majority of all applicants for direct loans have their applications approved. However, the disapproval rate for minority farmers is higher than for nonminority farmers. From October 1994 through March 1996, the disapproval rate was 16 percent for minority farmers and 10 percent for nonminority farmers. We found some differences in the disapproval rates for different minority groups. Specifically, 20 percent of the loan applications from African American farmers, 16 percent from Hispanic American farmers, 11 percent from Native American farmers, and 7 percent from Asian American farmers, were disapproved.

To assess the differences in disapproval rates, we examined the direct loan applications for fiscal years 1995 and 1996 at five district loan offices.⁹ Table 2 shows the number of applications for direct loans during this period for minority and nonminority farmers in each of the five districts, as well as the number and percent of applications disapproved.

⁹For two of these offices—Glacier, Montana, and Jim Wells, Texas—we reviewed all applications through September 30, 1996. For the other three offices, we limited our review to the applications whose processing had been completed at the time of our visit. These visits occurred between June and August 1996.

Table 2: Direct Loan Disapproval Rates in Five District Offices

District office	Minority applications reviewed			Nonminority applications reviewed		
	Total number	Number disapproved	Percent disapproved	Total number	Number disapproved	Percent disapproved
Elmore, Alabama	30	7	23	22	3	14
Byron, Georgia	20	9	45	45	9	20
Holmes, Mississippi	39	5	13	29	0	0
Glacier, Montana	4	0	0	7	1	14
Jim Wells, Texas	22	1	5	41	2	5

Our review of the direct loan program files in these locations showed that FSA's decisions to approve and disapprove applications appeared to follow USDA's established criteria. These criteria were applied to the applications of minority and nonminority farmers in a similar fashion and were supported by materials in the files. The process for deciding on loan applications is more uniform for the direct loan program than for the ACP. The district loan office first reviews a direct loan application to determine whether the applicant meets the eligibility criteria, such as being a farmer in the district, having a good credit rating, and demonstrating managerial ability. Farmers who do not demonstrate this ability may take a course, at their own expense, to meet this standard. If the applicant meets these criteria, the loan officer determines whether the farmer meets the requirements for collateral and has sufficient cash flow to repay the loan. These decisions are based on the Farm and Home Plan—the business operations plan for the farmer—prepared by the loan officer with information provided by the farmer. If the collateral requirements and the cash flow are sufficient, the farmer generally receives the loan.

In the five district loan offices we visited, 22 of the 115 applications from minority farmers were disapproved. Twenty were disapproved because the applicants had poor credit ratings or inadequate cash flow.¹⁰ One was disapproved because the applicant was overqualified and was referred to a commercial lender. In the last case, the district loan office was unable to locate the loan file because it was apparently misplaced in the departmental reorganization. However, correspondence dealing with this

¹⁰One of these 20 applicants submitted an application on Mar. 30, 1995, to restructure a past-due loan and obtain a new loan. At that time, the state had already obligated all available 1995 direct loan funds. Because no funds were available, the applicant was given 35 days to obtain financing elsewhere to carry out his projected farm and home plan. The farmer did not obtain financing. After the 35-day period, FSA calculated the farm and home plan's cash flow and found that it was not positive. Direct loan funds did not become available in this state until late Aug. 1995. (Only one other application was submitted to this district office for 1995 funds after Mar. 30, 1995. That applicant was also told that funds were unavailable. The applicant withdrew her application.)

applicant's appeal to NAD indicates that the application was disapproved because the applicant did not meet the eligibility criterion for recent farming experience. NAD upheld the district loan office's decision. The Department allows all farmers to appeal adverse program decisions made at the local level through NAD. The division conducts administrative hearings on program decisions made by officers, employees, or committees of FSA and other USDA agencies.

The applications of nonminority farmers that we reviewed were disapproved for similar reasons. Of the 144 applications from nonminority farmers we reviewed, 15 were disapproved. Nine were disapproved because of poor credit ratings or inadequate cash flow; five were disapproved because the applicants did not meet eligibility criteria; and one was disapproved because of insufficient collateral.

Additionally, in reviewing the 129 approved applications of nonminority farmers, we did not find any that were approved with evidence of poor credit ratings or insufficient cash flow.

For the period of our review, we also wanted to obtain information on whether FSA was more likely to foreclose on loans to minority farmers while restructuring or writing down loans to nonminority farmers. We found only one foreclosed loan—for a nonminority farmer—in the five district loan offices we reviewed. We also found 62 cases in which FSA restructured delinquent loans.¹¹ Twenty-two of these were for minority farmers.

Finally, the amount of time FSA takes to process applications from minority and nonminority farmers is about the same. Nationwide, from October 1994 through March 1996, FSA took an average of 86 days to process the applications of nonminority farmers and an average of 88 days to process those of minority farmers. More specifically, for African Americans, FSA took 82 days; for Hispanic Americans and Native Americans, 94 days; and for Asian Americans, 97 days.

Agency Comments

We provided a draft of this report to USDA for its review and comment. Subsequently, we met with departmental officials—FSA's Administrator of Farm Services; the Director, Civil Rights and Small Business Development Staff; and the Special Assistant to the Director of NAD—to discuss the

¹¹Restructuring refers to either rescheduling the loan payments or reducing the outstanding principal and accumulated interest.

information in this report. These officials generally agreed with the information discussed. They provided some clarifying comments that we have incorporated into the report where appropriate.

Scope and Methodology

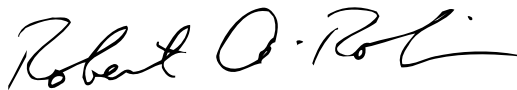
To identify FSA's efforts to achieve equitable treatment of minority farmers in the delivery of program services, we interviewed FSA officials and examined documents concerning the efforts of the Civil Rights and Small Business Development Staff. We did not, however, examine the processes used to investigate complaints of discrimination or the time this office takes to investigate and resolve farmers' complaints. The Secretary of Agriculture has asked the Department's Office of Inspector General to examine these issues.

We also identified minority staffing and minority representation on county committees in the 101 counties that had the highest numbers of minority farmers. The minority farmer population in these counties represents 34 percent of all minority farmers in the nation, according to the 1992 Census of Agriculture. Finally, we visited five county offices and five district loan offices to examine in detail the treatment of minority farmers at the local level. See appendix I for a detailed discussion of our methodology.

We conducted our work from April 1996 through January 10, 1997, in accordance with generally accepted government auditing standards.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days after the date of this letter. At that time, we will send a copy of this report to the Secretary of Agriculture. We will also make copies available to others on request.

Please call me at (202) 512-5138 if you or your staff have any questions about this report. Major contributors to this report are listed in appendix II.



Robert A. Robinson
Director, Food and
Agriculture Issues

Detailed Methodology

From the Civil Rights and Small Business Development Staff, we obtained information on the cases of alleged discrimination closed in fiscal years 1995 and 1996 and obtained copies of and analyzed the Staff's management evaluations for the same period. Finally, we obtained information on the equal employment opportunity and civil rights training the Staff has provided to the Farm Service Agency's (FSA) employees. However, we did not evaluate the adequacy of this training.

To examine minority staffing in county offices and minority representation on county committees, we first used the 1992 Census of Agriculture to identify the 101 counties with the highest numbers of minority farmers.¹ We then used the Department's databases to obtain information on the number of minority staff serving the 101 counties and the number of minority farmers on the county committees in each of these counties. We also used the Department's database to obtain information on the number of minority county executive directors serving the 101 counties.

To examine the treatment of minority farmers at the local level, we visited county offices and district loan offices that either had higher disapproval rates for minority than nonminority farmers for the Agricultural Conservation Program (ACP) in fiscal year 1995 and for the direct loan program from October 1994 to March 1996 or had high numbers of minority farmers.² Within the five county and five district loan offices, we reviewed the applications for the ACP and the direct loan program for fiscal years 1995 and 1996.³ For the Glacier, Montana, and Jim Wells, Texas, offices, we reviewed all applications through September 30, 1996. For the other offices, we limited our review to the applications that had been completely processed at the time of our visit. These visits took place between June and October 1996. The offices we visited were located in Alabama, Georgia, Mississippi, Montana, and Texas.

At the county and district loan offices we visited, we reviewed 576 ACP and 259 direct loan files for information on the reasons for disapproval and approval in fiscal years 1995 and 1996. We determined whether farmers' applications were acted upon in accordance with established criteria and whether information to support decisions was contained in the files. We

¹We reviewed 101 counties because we wanted to identify the 100 counties with the highest numbers of minority farmers, but 4 counties were tied for the ninety-eighth place—each having 93 minority farmers. The highest number of minority farmers in one county was 1,953.

²Except for Dooly County, Georgia, which we selected and visited before obtaining national data.

³District loan offices provide direct loan coverage to farmers in one or more counties. The five district loan offices we visited covered a total of 48 counties.

examined nonminority farmers' applications to determine whether they were approved when similar applications from minority farmers were disapproved. Our review focused exclusively on the documentation contained in the files of the county and district loan offices we visited. We did not directly contact any farmers to discuss any of the information contained in these files or independently verify the information contained in these files.

To determine the extent to which direct loan disapprovals are appealed to the National Appeals Division (NAD), we obtained appeals statistics from NAD. NAD's database does not separately identify the appeals from ACP applicants; we therefore could not obtain this type of data for the ACP.

To determine whether minority farmers received equitable treatment nationally, we would have had to visit at least 30 county offices and 30 district loan offices to have statistically valid results. To provide valid estimates, we would have had to select the offices on a statistical basis. This effort would have significantly increased the resources and time necessary to conduct the review. Additionally, whenever a sample from a universe is selected, the estimates made are always subject to error introduced by the sampling procedure. When samples are small, as they would have been in this case, the estimation error tends to be quite large. The only way to decrease the estimation error is to increase the sample size. Therefore, we determined that judgmentally selecting a limited number of offices for case studies represented a more efficient use of our resources.

Major Contributors to This Report

Robert C. Summers, Assistant Director
Fredrick C. Light, Evaluator-in-Charge
Jerry Hall
Natalie Herzog
Paul Pansini
Stuart Ryba
Carol Herrnstadt Shulman

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

<http://www.gao.gov>

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

