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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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INTERNATIONAL DIVISION

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Dear Mr. Secretary:

Recently the Department of Agriculture and other members of the Interagency Staff Committee provided us with comments on a draft of a proposed report entitled "Opportunities to Reduce Costs and Maximize Balance of Payments Benefits Under Dollar Credit Sales of U.S. Agricultural Commodities Abroad." We have analyzed the information provided and have made additional inquiries at the Department of Agriculture.

On the basis of our analyses and inquiries, we believe that no additional value would be derived from proceeding with a formal report on the matters discussed in the draft. Our review, however, highlighted a need for better documentation of, and more information on, the major factors forming the basis for decisions on the terms and conditions for commodity sales agreements with foreign governments.

During our review we noted that certain sales agreements with Brazil, Korea, Jordan, and Afghanistan, signed during the period 1967 to 1969, did not require down payments in dollars or foreign currency as large as appeared to be feasible. Thus it appeared that the U.S. balance of payments did not benefit to the extent which otherwise would have been possible. However, from the comments received from the members of the Interagency Staff Committee and from discussions with Department of Agriculture officials, it appears that more stringent financial terms probably could not have been negotiated for these sales.

Concessions in the Korean agreements apparently were necessary to counter more lenient offers by the Japanese. In the Brazilian agreements, concessions apparently were needed to protect the U.S. share of the wheat market against increased competition. Also U.S. officials believed that Afghanistan could not afford more stringent financial arrangements and that Jordan would agree only to terms as soft as those offered to Israel.

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Nonetheless we are concerned that the above conclusions cannot be drawn easily from the minutes of the Interagency Staff Committee or from data in the Department's files. In many instances the initial sales proposals before the Committee contained more stringent financial terms than those finally approved. The minutes, however, contained no information as to why the terms subsequently were softened. Furthermore the Department's files did not clearly document judgments that harder terms were not possible.

We believe that the Interagency Staff Committee minutes and the Department's files should clearly reflect and document the expressed positions of the several constituent agencies of the Committee and the major considerations involved in arriving at decisions concerning the negotiation of Public Law 480 sales agreements. In our opinion, this information is needed to (1) assist officials in formulating future agreements and (2) permit objective evaluations of program management. The records should show clearly why decisions and judgments were made.

Department officials consider it more appropriate to provide documentation in the files of the Department's General Sales Manager than in the minutes of the Interagency Staff Committee. The officials stated that greater emphasis would be placed on having these files reflect the major considerations leading to an approved program. We agree that basic documentation supporting decisions should be contained in the Department's files; however, we believe that adequate information on the factors considered in arriving at the positions of the constituent agencies of the Interagency Staff Committee with respect to each sales proposal needs to be included in the Committee's minutes.

Therefore we suggest that you take action to ensure that adequate documentation and information are included in the Department's files and in the Interagency Staff Committee minutes to show the basis on which decisions were reached by U.S. officials in carrying out the Public Law 480 sales program. When certain considerations or objectives are determined to be overriding and when greater concessions are deemed

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necessary, explanations, factual evidence, and reasons supporting the final decision should be contained in the files and in the minutes.

Copies of this letter are being sent to the Director, Office of Management and Budget; the Secretaries of State, Commerce, and the Treasury; the House Committee on Government Operations; the Foreign Operations and Government Information Subcommittee, House Committee on Government Operations; and Representative L. H. Fountain.

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We appreciate the cooperation provided by your Department during our review.

Sincerely yours,

Charles D. Hylander  
for

Director, International Division

The Honorable  
The Secretary of Agriculture

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