

# GAO Highlights

Highlights of [GAO-13-740](#), a report to the Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

USDA administers five programs to assist U.S. agricultural industry efforts to build, maintain, and expand overseas markets. However, members of Congress continue to debate the level of funding for this assistance and its impact on agricultural exports. USDA provides about \$250 million annually for the five market development programs. MAP and FMD received about 90 percent of this funding in fiscal year 2012, with allocations of \$200 million and \$34.5 million, respectively.

GAO was asked to review USDA's market development programs. This report (1) describes participation and expenditures in these market development programs, particularly MAP and FMD; (2) examines FAS's management and monitoring of its market development programs; and (3) assesses FAS's cost-benefit analysis of MAP's and FMD's impact on the U.S. economy. GAO analyzed USDA expenditure data from 2002 through 2011 and reviewed key agency and program participant documents. GAO also assessed a sample of participants' annual progress reports and assessed economic cost-benefit analyses of MAP and FMD commissioned by USDA.

## What GAO Recommends

GAO recommends that USDA (1) emphasize that market development program participants' annual progress reports should identify the methodologies used to assess results and (2) ensure that any economic models used in future cost-benefit analyses of the programs include industry-specific variables and sensitivity analyses of key assumptions. USDA concurred with GAO's recommendations.

View [GAO-13-740](#). For more information, contact Lawrence Evans at (202) 512-4802 or [evansl@gao.gov](mailto:evansl@gao.gov).

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## AGRICULTURAL TRADE

### USDA Is Monitoring Market Development Programs as Required but Could Improve Analysis of Impact

## What GAO Found

Market development program participants use program funds to support a variety of activities intended to raise awareness or acceptance of U.S. agricultural products in overseas markets. Common activities include, among others, market research, consumer and retail promotion, and participation in international trade shows. GAO's analysis of expenditure data from 2007 through 2011 shows that participants in the Market Access Program (MAP) and the Foreign Market Development Program (FMD)—the largest of the five market development programs—remained generally consistent during that period. The program participants with the largest shares of funding and the countries where the largest shares of funds were spent also remained relatively consistent. Expenditure data for 2011 show that MAP and FMD participants met or exceeded FAS contribution requirements that they match minimum percentages of the program funding they receive. Unlike funding for the other programs, a portion of MAP funds is used for promotion of branded products. In 2011, MAP participants spent about 85 percent of program funding on overseas promotion of generic commodities. More than 600 small companies and seven agricultural cooperatives spent the remaining 15 percent of MAP funding to promote branded products.

The U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) uses several management and monitoring processes to reduce the risk of duplication among the five programs. FAS uses an integrated system to process funding applications for multiple programs and to monitor expenditures, which reduces the risk of duplication. According to FAS officials, FAS also monitors participants' expenses for all programs through its compliance review process. In addition, FAS guidance requires program participants to submit annual progress reports on the results of their market development activities. GAO found that performance measures in a sample of progress reports generally reflected selected FAS guidance and key attributes of successful performance measures that GAO had identified. However, the sampled reports did not always outline the methodologies used to assess activity results as required by FAS guidelines. In these cases, it would be difficult for FAS to determine the reliability of the reported results and the impact of market development activities.

A 2007 cost-benefit analysis of MAP and FMD, commissioned by FAS, found that the programs increased U.S. agricultural exports and benefited the U.S. economy, but methodological limitations may affect the magnitude of the estimated benefits. Overall, the analysis asserted that the government's expenditures for the two programs resulted in greater increases in U.S. agricultural exports and greater benefit to the U.S. economy than would have occurred without the expenditures. However, an economic model used to estimate the programs' impact on U.S. market share omitted important variables, such as commodity prices. Also, the study did not include sensitivity analyses of certain key assumptions underlying its estimates of impacts on U.S. exports. For example, analyses of the possible effects of varying levels of program funding would provide a clearer picture of the potential impact of increased or decreased funding on U.S. exports and the economy. FAS officials reported that they plan to commission a new cost-benefit analysis in 2014 but have not yet identified the methodologies that the new analysis will use.