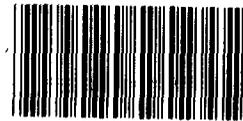


October 1991

AGRICULTURE

Generic Promotion Program for Fruits and Vegetables



145041



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

Resources, Community, and
Economic Development Division

B-245232

October 17, 1991

The Honorable Robin Tallon, Chairman
The Honorable Tom Lewis, Ranking Minority Member
Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
Committee on Agriculture
House of Representatives

The Honorable Charles Hatcher
House of Representatives

The Honorable Bill Emerson
House of Representatives

The federal government has been involved with the generic promotion of agricultural commodities for more than 50 years through legislated programs.¹ These generic promotion programs generally include both advertising and research components. While promotion programs exist for individual fresh fruits and vegetables, no single promotion program exists to collectively promote all fruits and vegetables. Such a program, which would be in addition to existing individual commodity programs, would pool funds from the individual commodity producers to increase consumer demand for fruits and vegetables generally. You asked us to determine whether producers would support such a program.

To obtain an understanding of the issue and potential producer support for a promotion program for all fresh fruits and vegetables, we contacted several producers and producer associations. After obtaining the reactions of 4 large producers and 10 producer associations, we met with your offices to discuss the results of our initial work. At that time, it was agreed that we would not continue to contact producers or associations. This letter presents the results of our discussions with the producers and producer associations.

Results in Brief

The producer representatives told us that overall, they have objections to a generic promotion effort for all fresh fruits and vegetables; however, they did express some interest in particular aspects of such a program, should it be created. Representatives from all 4 producers and all

¹Generic promotion means that products are promoted without any reference to a particular brand name. Currently, programs exist for such products as beef and milk.

10 producer associations that we spoke with indicated that a producer-financed generic promotion program would not be acceptable to them. In general, they are opposed to such a program because they believe that its benefits would not be worth the fees that commodity producers would be assessed to fund the program. While none of the representatives were in favor of an overall promotion program, some expressed an interest in certain activities, such as research on product improvements, that have been part of promotion programs in the past.

Further, the association representatives and producers raised several administrative issues that they believe would make the generic program unworkable. In particular, they believe it would be difficult to devise an equitable method to assess fees from producers of the approximately 162 different fruits and vegetables grown and commercially marketed in the United States.

Background

The U.S. fresh fruit and vegetable industry in 1987 represented \$11.8 billion in annual sales.² Approximately 158,000 farms in 1987 produced about 162 different commodities during the various growing seasons around the country.

Generic promotion programs are designed to increase the demand for products in a number of ways. They can encourage the substitution of one product over another, such as milk over soft drinks. They can also promote demand by improving the image of a product, for example, emphasizing potatoes as a nonfattening, nutritious food. Such programs can also increase product demand by increasing public awareness of lesser known commodities, such as kiwi fruit, and introducing new uses for products, such as serving orange juice at other times besides breakfast. Some promotion programs are tied to research which may improve the product itself. For example, the production of leaner pork has resulted from consumers' increasing demand for less fat in their diets.

Federal programs with promotion features date from the Agricultural Marketing Agreement Act of 1937. A number of states also have legislated promotion programs. Currently, 39 federal and 112 state programs promote individual fresh fruits and vegetables. For example, in 1971 the Congress enacted the Potato Research and Promotion Act to carry out a program of research, development, advertising, and promotion to maintain and expand markets for U.S.-produced potatoes.

²The latest U.S. Census of Agriculture was in 1987.

Promotion programs are primarily funded through fees collected from producers. The fees pay for the promotion of specific commodities within an industry, such as apples within the produce industry, or for all products within an industry, such as all beef products within the beef industry. In 1986 fruit and vegetable producers spent \$82.5 million for promotion, including advertising and research, under existing programs for individual commodities.³

The earliest federal promotion programs required approval by either a certain percentage of eligible producers or the number producing a proportion of total production, often two-thirds, before they began. Many early programs also gave producers the option of not participating. However, this limited the funds available and raised fairness questions, since some producers benefited from the generic advertising without bearing any financial burden. Federal programs authorized more recently require producers to participate for a certain number of years, after which they can vote on whether to continue the program. Further, several federal programs authorized since 1983 have permitted generic campaigns to begin without prior producer consent. The U.S. Department of Agriculture's (USDA) Agricultural Marketing Service is responsible for administering and monitoring the federal promotion programs. Agricultural Marketing Service duties include reviewing proposals for new programs, approving commodity board program budgets, and conducting administrative audits of commodity board program activities.

Producer Representatives Question Generic Promotion Program Benefits

According to all the producer representatives with whom we spoke, a producer-financed generic promotion program would not be acceptable to them. The 4 producers and 10 producer association representatives believe that producers, who would pay for the program, would receive little direct benefit from a broad generic program promoting all fruit and vegetable commodities. Further, many are already supporting commodity-specific state or national programs as well as paying dues to national trade associations. Rather than underwrite a national generic promotion program with questionable direct benefits, they generally prefer to continue supporting only single-commodity promotion efforts and believe that an additional program for all fresh fruits and vegetables would be of little benefit.

While none of the representatives were in favor of an overall promotion program, some expressed interest in certain activities that often have

³More current data on federal and state expenditures are not available.

been part of promotion programs for specific commodities. One producer commented that his company would be receptive to a program focused on environmental issues such as proper pesticide use and food safety. An association representative commented that the producers that he represents would support research on alternative growing methods and genetic product improvements. Another association would support a generic promotion program for all fruits and vegetables with assurances that its members would be assessed fairly for contributions and that the program would be limited to public relations and dietary issues. Yet another association believes that the nutritional benefits of fruits and vegetables are already well known and that a generic program should focus on food safety and biotechnology. Two other associations said they could support certain aspects of a generic program. However, they had not yet determined the specific activities their members would support.

Because of their concerns over the acceptability of a generic promotion program, the producers and producer association representatives we met with commented that producers should be allowed to vote on whether or not a promotion program for all fresh fruits and vegetables should be instituted. Five of them further commented that a referendum would likely fail.

Administrative Feasibility Questioned by Producers

Producer representatives expressed concern that a generic promotion program for fruits and vegetables could not be administered equitably. In general, their concerns revolve around fair fee assessment and representation for members. For example, representatives of one association told us that determining an equitable assessment method would be difficult. Current programs generally assess fees on the basis of weight or container size. However, there is no standard container size for all fruits and vegetables, and because of the disparate weights and values, as well as seasonal fluctuations in values, of fruits and vegetables, agreement on this issue is difficult.

Another association representative voiced concerns about the difficulty of administering a generic promotion program for such a disparate industry. The representative was concerned that the approximately 162 commodities would not be equitably promoted under a single program, since not all commodities could be featured in promotional efforts. Another representative raised concerns over whether a program governing board could fairly represent the many interests of such a diverse

industry. Board composition is important to producers, since the governing board would decide, for example, how funding assessments would be raised and spent. However, not all commodities could have a representative on a board limited in size in order for the board to be functional.

Other Organizations Promote Fruits and Vegetables

A number of ongoing programs promote fresh fruits and vegetables for health reasons. Private health organizations have made the link between improved diet and better health a priority message in their consumer education materials. Among them, the American Heart Association and the American Cancer Society have urged consumers to include fresh fruits and vegetables in their daily diets as a means of reducing the risks of heart attack and cancer.

State and local groups have also been active in this area. For example, the "5 a Day—for Better Health" program, sponsored since 1988 by the California state government in cooperation with produce and groceries industries in the state, urges consumers to eat at least five portions of fruits and vegetables every day. The program is being expanded to a nationwide campaign by the National Cancer Institute and the Produce for Better Health Foundation beginning in October 1991. According to a foundation representative, the expansion is at the urging of fruit and vegetable producers and retailers outside of California because of its apparent success in that state. The "Strive for Five" program, sponsored by the Giant Food supermarket chain, similarly urges consumers to eat five fruits and vegetables per day for better health.

Objective, Scope, and Methodology

Our objective in studying this issue was to determine producers' acceptance of a generic promotion program for all fresh fruits and vegetables. As agreed with your offices, we spoke with representatives of 4 producers and 10 producer associations, which we chose in consultation with the Deputy Director, Fruit and Vegetable Division of the Agricultural Marketing Service. The Deputy Director could not readily determine the numbers or percentages of producers represented by the 14 organizations; however, he told us that the organizations represent producers of various sizes and all commodities in three large fruit- and vegetable-producing states—California, Florida, and Texas—as well as other selected states. Further, the organizations selected represent varied opinions on promotion programs as well as past experience with promotion programs. Appendix I contains a list of those organizations.

After obtaining the reactions of the 14 organizations, we briefed your offices on the initial results. Because all 14 organizations were opposed to an overall generic promotion program, it was agreed with your offices that we would not continue to contact producers or associations.

We conducted this review between October 1990 and August 1991 in accordance with generally accepted government auditing standards. USDA provided written comments on a draft of this report. These comments are included in appendix II.

Agency Comments

In commenting on a draft of this report, USDA stated that the report accurately reflects (1) the Department's research and promotion oversight responsibilities as well as (2) the comments provided to us by USDA officials during the course of our review. (See app. II.)

Copies of this report are being sent to the appropriate House and Senate Committees and Subcommittees; interested Members of Congress; the Secretary of Agriculture; the Director, Office of Management and Budget; and other interested parties.

If you have any questions on the material in this report, please call me on (202) 275-5138. Major contributors are listed in appendix III.



John W. Harman
Director, Food and
Agriculture Issues

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Abbreviations

GAO	General Accounting Office
USDA	U.S. Department of Agriculture

Producer Organizations Contacted

Producers

A. Duda and Sons, Inc. (fruits and vegetables)
Oviedo, Fla.

Blue Diamond Growers (almonds)
Sacramento, Calif.

D'Arrigo Bros. Co. (fruits and vegetables)
Salinas, Calif.

Sunkist Growers, Inc. (citrus fruit)
Sherman Oaks, Calif.

Associations

California Table Grape Commission
Fresno, Calif.

California Tomato Board
Fresno, Calif.

Florida Farm Bureau Federation
Gainesville, Fla.

Florida Fruit and Vegetable Association
Orlando, Fla.

Florida Tomato Exchange
Orlando, Fla.

The Potato Board
Denver, Colo.

Produce Marketing Association, Inc.
Newark, Del.

Texas Citrus and Vegetable Growers and Shippers Association
Harlingen, Tex.

United Fresh Fruit and Vegetable Association
Alexandria, Va.

Western Growers Association
Newport Beach, Calif.

Comments From the U.S. Department of Agriculture



United States
Department of
Agriculture

Agricultural
Marketing
Service

P.O. Box 98456
Washington, DC
20090-8456

September 10, 1991

Mr. John W. Harman
Director, Food and Agriculture Issues
Resources, Community and Economic
Development Division
General Accounting Office
Washington, DC 20548

Dear Mr. Harman:

The U.S. Department of Agriculture has reviewed the proposed report "Agricultural Generic Promotion Program for Fruits and Vegetables." We find that the draft report accurately reflects the Department's research and promotion oversight responsibilities and the comments provided by Department officials to your staff.

Please contact us if we can be of further assistance.

Sincerely,

D
DANIEL D. HALEY
Administrator



The Agricultural Marketing Service
is an agency of the
United States Department of Agriculture

Major Contributors to This Report

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