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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

CIVIL DIVISION

SEP 24 1969

Dear Mr. Frick

The General Accounting Office has made a review of selected aspects of butter purchases by the Commodity Credit Corporation (CCC), Department of Agriculture, under the price-support program. The review was made in conjunction with our current examination of financial activities of CCC, pursuant to the Government Corporation Control Act (31 U.S.C. 841), at the Minneapolis Commodity Office.

Our review of butter purchases by CCC indicated a potential saving to CCC through eliminating an extra handling of butter under the price-support program. Our comments on this matter follow.

POTENTIAL SAVING TO CCC

Under the program providing for price-support of dairy products, CCC purchases bulk butter from vendors in carload lots located in CCC-approved public warehouses. The offered butter may be stored in the following areas of warehouse space.

1. Vendor's leased space (cooler and freezer)
2. Public cooler space
3. Public freezer space

In retaining purchased butter at the same warehouse, CCC pays a handling charge to the warehouseman to transfer the butter from cooler space (or the vendor's leased space) to public freezer space. If butter purchased by CCC is already located in public freezer space, however, a handling charge is avoided by CCC.

In fiscal year 1969, CCC purchased under the price-support program about 77 million pounds of warehouse-stored bulk butter, located in public cooler space (or cooler and freezer space leased by vendors) and about 600,000 pounds located in public freezer space. In transferring the butter from cooler space (or leased space) to public freezer space upon purchase, CCC incurred a cost which we estimated at \$217,000 (which also covers load-out service). Illustrations of such transfers of butter at various warehouses in the Minneapolis area follow.

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<u>Grading certificate</u>	<u>Number of 68-lb. boxes</u>	<u>Arrived at warehouse</u>	<u>Graded</u>	<u>Offer by vendor to CCC</u>	<u>Offer accepted by CCC</u>	<u>Acquisition by CCC</u>
June 1969						
231677	735	4	11	12	June 13	June 18
231738	695	27	30	30	July 1	July 9
231715	592	20	23	24	June 24	June 28
231683	566	13	16	17	June 17	June 23
231740	572	26	30	30	July 1	July 9

The preceding illustrations show that the butter was offered for sale to CCC immediately upon being graded--which was within a few days after the butter arrived at the warehouses. This situation demonstrates that the butter could have been offered to CCC in public freezer space, thereby allowing an economy in the price-support program through elimination of extra handling.

We believe that CCC should take steps to eliminate the extra handling of butter and thereby effect a saving under the price-support program. We recognize that vendors may normally be reluctant to offer butter stored in public freezer space because of an increased outlay to cover prepayment of load-out charges, however, the program could be revised to provide for an offsetting adjustment.

Recommendation

We recommend that CCC revise its price-support regulations to provide, with or without an incentive to vendors, that warehouse-stored bulk butter, in order to be eligible for price-support purchase by CCC, must be offered in public freezer space.

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We will be pleased to discuss this matter with you or members of your staff if you desire. We would appreciate being advised of the action taken on our recommendation.

Copies of this letter are being sent today to the Inspector General,
Department of Agriculture.

Sincerely yours,

Victor L. Lowe
Victor L. Lowe
Associate Director

Mr. Kenneth E. Frick
Executive Vice President
Commodity Credit Corporation
Department of Agriculture

DOCUMENT AVAILABLE