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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

Released  
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DEC 16 1974

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The Honorable Otis Pike  
House of Representatives



Dear Mr. Pike:

In response to your June 5, 1974, letter, we reviewed the Defense Supply Agency's policy for purchasing potatoes, particularly its policy concerning the three specific points your constituent raised, which were:

- Should the Agency purchase all potatoes on a bid basis rather than send buyers to the growing areas?
- Should the Agency purchase all potatoes only in the New York area?
- Are the savings realized by purchasing Maine potatoes offset by the expenses incurred in sending a buyer to Maine?

The Defense Personnel Support Center, Philadelphia, Pennsylvania, a centralized organization established to purchase food for military activities, administers the Agency's policies. The Center operates through four Defense subsistence regions which are responsible for supplying food to military customers in their areas. The regional offices are located in New York; Oakland, California; New Orleans; and Chicago.

The Agency uses the sight-buying technique--that is, visual inspection before purchase of produce in the field or in storage--to purchase almost 95 percent of its annual fresh fruits and vegetable requirements. For several years the New York region, using the sight-buying technique, purchased Maine potatoes principally from brokers or dealers at the New York Harlem River railroad yard and purchased Long Island potatoes and potatoes grown in other areas principally from growers in those particular areas. However, because Maine potato growers were making more shipments by truck and fewer shipments by rail, fewer potatoes were available from brokers or dealers at the rail yard in New York.

Therefore in October 1973 the Center directed the New York region to look into the feasibility of sight-buying potatoes directly from its growers and shippers in Maine. As a result, in November 1973 the

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region sent a buyer to Maine to solicit bids and inspect the potatoes offered. Regional officials considered this additional competition to be in the Government's interest because the broader competitive base should have provided a better product from the standpoint of quality and cost.

PURCHASE OF ALL POTATOES  
USING SIGHT-BUYING TECHNIQUE

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At his request, we previously reported to Congressman Mario Biaggi the Agency's policy of using sight buying to purchase fresh fruits and vegetables. In that report we recommended that the Agency's Director, rather than using sight buying, consider developing tighter specifications which could be used to describe the required produce to all interested suppliers. We suggested that the descriptions include, in addition to the size, condition, and quality required, the types of acceptable defects and the percent of the total shipment that must meet the overall requirements.

In commenting on our previous report, the Agency did not consider our recommendation an acceptable alternative because of the difficulties it envisioned in preparing an all-encompassing specification.

We agree that there is a wide variance in quality, condition, size, and defect toleration of produce within each agriculture grade standard and that the opportunity to examine produce before purchase benefits the Government. However, we continue to believe that the Agency could reduce its need to inspect all produce items in the field if tighter specifications were written. Since the tighter specifications would apply to the growers as well as the vendors, vendors could then compete with growers or vendors with growing-area affiliation by offering products certified by Department of Agriculture inspectors as meeting the tighter specifications. We believe also that such tighter specifications are feasible. Department of Agriculture officials agree that tighter specifications can be developed and have said that they can inspect produce items on the basis of such tighter specifications.

PURCHASE OF POTATOES ONLY IN  
THE NEW YORK AREA

Your constituent's suggestion that potatoes be purchased only in the New York area would not conform with procurement regulations, according to New York regional officials. All potential suppliers, both inside and outside the region's geographical area, must be given an opportunity to bid on its purchases. These officials admitted that until late in 1973 the bidders on purchases of potatoes were almost exclusively from Long Island. It is important to note that, as the result of the seasonal

nature of potatoes, the Center buys its first potatoes in Alabama in May. Purchases progress northward as the potatoes are harvested; during June, July, and August, most potatoes are purchased in the Carolinas, Virginia, and Maryland. Purchases of Long Island potatoes begin in September. Maine potatoes are harvested late in October; during November and December, Maine and Long Island vendors compete. By late in December, Long Island vendors no longer have Long Island potatoes available; therefore the potatoes they sell are Maine potatoes exclusively. The potatoes offered for January and February 1974, mentioned by your constituent, were actually Maine potatoes.

SAVINGS: PURCHASING IN MAINE  
VERSUS PURCHASING IN LONG ISLAND

We reviewed potato purchases made through the New York region for two 1-week periods. The 2 weeks we selected were within the time frame your constituent referred to in his March 14, 1974, letter. By purchasing from Maine growers, instead of Long Island vendors, the New York region saved \$702, as follows:

	<u>Savings</u>
January 18 to 24, 1974	\$221
February 15 to 21, 1974	<u>481</u>
	<u>\$702</u>

The New York region made its own study for a 1-week period in November 1973, which showed savings of \$1,056 realized by competitive purchases in Maine.

The savings realized during these three 1-week periods averaged \$536. These savings, however, may be only part of the total monetary benefit derived from competitive potato purchases. Competition between Long Island and Maine dealers may have caused both to submit lower bids than they otherwise would have submitted, but we were not able to document this.

Cost of Maine purchasing agent

The New York region sends a purchasing agent to Maine to solicit bids and inspect potatoes whenever they are available for sale. According to regional officials, the agent is rotated every 5 weeks.

We estimate that the expenses incurred in sending a purchasing agent to Maine is about \$16 a week. We did not include the agent's salary in estimating the expenses incurred, because the agent, if he

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was not sight-buying potatoes in Maine, would be doing similar work elsewhere. We did not determine whether the same number of purchasing agents would be required if the Agency were to develop tighter specifications.

As you requested, we did not obtain comments from the Agency's Director. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,



Comptroller General  
of the United States