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Changing agricultural institutions

New problems and new constituencies may signal the need to change agricultural institutions. In this series of articles the authors discuss changes, underway and proposed, in three institutions that have long served agriculture—USDA, financial institutions, and land-grant universities.



Reinventing USDA: Missions must come first

by Neilson C. Conklin and
William Gahr

The United States Department of Agriculture has become a symbol of public dissatisfaction with the federal government because of a suspicion that taxpayers are paying more for fewer, less efficient services. The image of USDA as an inefficient and unresponsive organization is epitomized by the title of a recent article in *Readers' Digest*, "USDA: A Bureaucracy Out of Control."

Congress and the executive branch, under both the previous and current administrations, have responded to the problems at USDA with several proposals for reorganization. The public dismay with USDA can be seen as the political analog to the market reaction to problems at IBM and General Motors. Just as IBM and GM have had difficulty adjusting to changes in their customers' needs, USDA has had difficulty adjusting to changes in agriculture and the needs of its changing constituency. What is wrong with USDA? Perhaps, as in the case of IBM and GM, the success of USDA's earlier efforts—to increase agricultural productivity and promote the development of agriculture—contained the seeds of the department's problems. The key question today: how can we turn USDA around?

Reorganization alone cannot lead to a turnaround in a troubled organization. Peter Drucker notes that although restructuring (such as reorganization, cost control programs and layoffs) may help troubled businesses to improve

short-run performance, it seldom improves performance for very long. Drucker attributes this problem to the fact that "a company beset by malaise and steady deterioration suffers from something far more serious than inefficiencies. Its 'business theory' has become obsolete."

Current proposals for USDA reorganization focus primarily on streamlining the department, reducing the Secretary's span of control and eliminating unneeded field offices. Many USDA critics go beyond questions of administrative efficiency and raise questions about policy goals and programs. For example, the *Readers Digest* article questions urban gardening programs, rural housing programs of Farmers' Home Administration, and utility loans of the Rural Electrification Administration. As long as these fundamental questions about USDA's mission persist, reorganization will not solve the department's problems. If the goal of restructuring USDA is to achieve a durable improvement in the department's performance, the first and

Neilson C. Conklin is associate professor in the School of Agribusiness and Environmental Resources at Arizona State University and William Gahr is associate director for Food and Agriculture Issues, U.S. General Accounting Office. An earlier version of this paper was given at the Bennett Agricultural Round Table, sponsored by Farm Foundation in January 1993. This article is not an official position of the U.S. General Accounting Office or Arizona State University. The opinions expressed are those of the authors.

most important step is to examine USDA's business theory, its public mission past, present, and future.

USDA past

When President Lincoln signed the legislation creating USDA in 1862, the department's mission was to improve agricultural productivity through scientific research, farm technology such as new seed varieties, and information on farming practices. In the ensuing years, USDA took on a broad range of new programs and missions. Public land management and forestry came with

while food programs rose to over 50 percent. Perhaps the "Department of Food Security" might be a more apt name for USDA today.

USDA present

After years of new mandates, policy initiatives, and programs, it is no longer possible to provide an all-encompassing mission statement for USDA in a single concise sentence. The introduction to the Food, Agriculture, Conservation and Trade Act of 1990 (FACTA), the authorizing legislation for most of the department's programs, illustrates the

Although it is difficult to define a single coherent mission for USDA today, four basic missions can be identified within the jumble of legislation, programs and agencies:

1. to ensure consumers a safe and adequate food supply,
2. to support farm income and agricultural services,
3. to promote economic development in rural communities, and
4. to conserve natural resources and protect the environment.

Measured in dollars, USDA's primary mission today is to provide food and nutrition programs—primarily food stamps, which account for over 50 percent of the department's budget. However, staff numbers reveal a different picture: USDA commits less than 2 percent of its human resources to the food programs (figure 2). Over half of USDA's employment is related to natural resources programs (Forest Service and Soil Conservation Service) which account for less than 7 percent of the department's budget. Because some programs are more labor intensive while others require larger financial resources, there is no particular reason to expect a perfect correspondence between staff and budget commitments. However, the disparity between the two in USDA is remarkable.

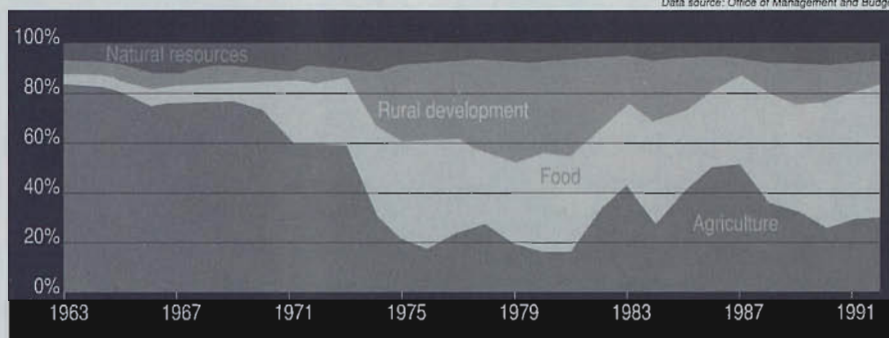


Figure 1. USDA outlays by major program area

the transfer of the Forest Service to USDA in 1904. Responsibility for the stabilization of farm incomes and rural development were added to the department's portfolio during the New Deal. International food assistance and foreign market development programs appeared in the 1950s, and large scale domestic food assistance, in the form of the Food Stamp Program, became part of USDA's mission in the 1960s. Today, 131 years after it was established, only 2.5 percent of USDA's budget and 8 percent of its staff are devoted to the original mission to develop, improve, and extend new technology.

Trends in USDA's budget over the last three decades illustrate the dramatic change in USDA's mission (figure 1). In 1963 agricultural programs accounted for over 80 percent and food programs only 4 percent of the department's budget. By 1992 agriculture programs had fallen to 30 percent

broad scope of USDA's activities as defined by Congress:

"...to extend and revise agricultural price supports and related programs, to provide for agricultural export, resource conservation, farm credit and agricultural research and related programs, to ensure consumers an abundance of food and fiber at reasonable prices and for other purposes."

The 719 page act contains 25 Titles which address rural development, forestry, animal welfare, and several "other purposes" not specifically mentioned in the citation above. Given the broad and disparate nature of FACTA's mandates, it is not surprising that USDA projects a fuzzy sense of its mission and that observers inside and outside the department see it as a collection "...of diverse, autonomous, and entrenched local self-governing systems..." rather than as a single coherent organization" (U.S. General Accounting Office, 1991b).

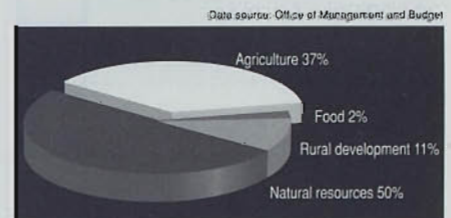


Figure 2. USDA staff by major program area, FY 1992

Although USDA's responsibilities have changed dramatically during the last 60 years, they were added to the existing framework, which has remained relatively unchanged since the 1930s. As former Secretary of Agriculture, Ed-

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ward Madigan noted in a final memorandum to Senator Patrick Leahy (D, VT), the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, "...the current agency structure is the product of a large number of mutually exclusive decisions over a number of years rather than the result of an overall review of the Department's mission." These mutually exclusive decisions have culminated in an organization with little correspondence between mission and organizational structure.

A glance at the organizational chart illustrates the problem (figure 3). For example, the Undersecretary for Small Community and Rural Development is responsible for the farm loan programs of the Farmers' Home Administration and for federal crop insurance: two large and complex programs that primarily support the agricultural rather than the rural development mission. To further complicate matters, the Forest Service, whose primary mission is natural resources, also has programs related to rural development. And although most of the food and nutrition programs are managed by the Assistant Secretary for Food and Nutrition, the Extension Service, under the Assistant Secretary for Science and Education, operates the Extended Food and Nutrition Program.

USDA's jumbled organization limits its flexibility and creates barriers to effectively address cross-cutting issues like food safety, biotechnology, and water quality, because responsibilities are spread across so many separate parts of the organization. The U.S. General Accounting Office (1991a) concluded as follows:

"For the three cross-cutting issues we reviewed (food safety, biotechnology, and water quality), these agency efforts have led to narrowly focused or insufficiently defined policies and fragmented planning and monitoring efforts. As a result, USDA is missing opportunities

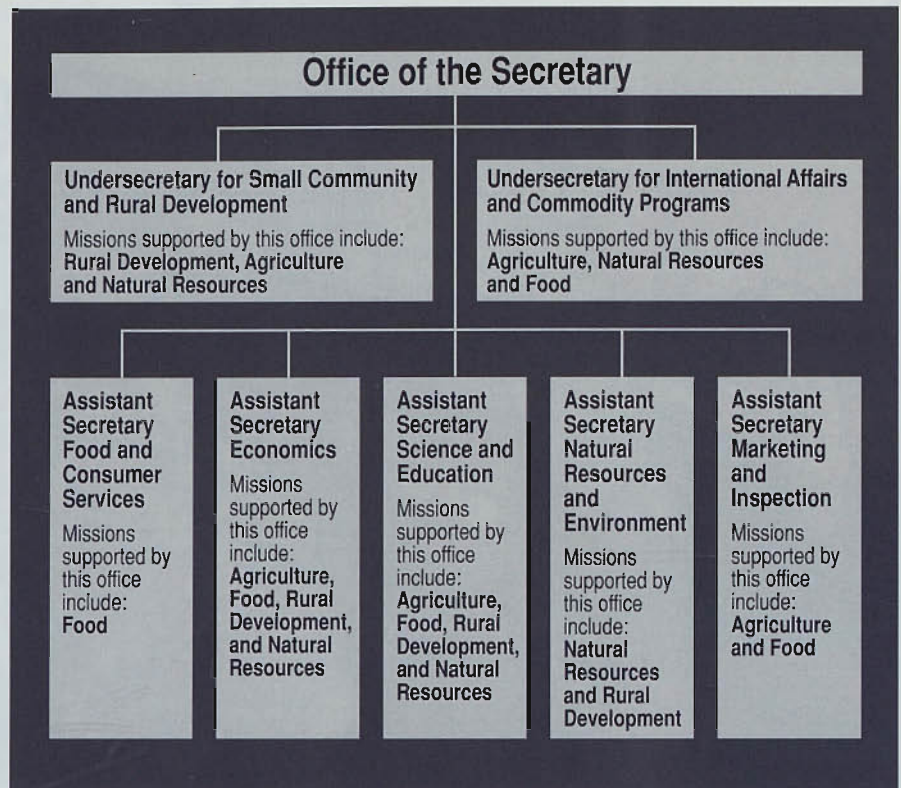


Figure 3. Organizational chart of USDA

to deal with pressing national needs, duplicating efforts to meet specific concerns, and delaying overall departmental progress because differences among agencies are not quickly resolved."

Even more importantly, because USDA's organizational structure is not aligned with today's problems and missions, programs are less responsive to constituents. USDA's organizational structure was developed for problems of the 1930s, when 25 percent of the population lived on over 6 million farms generating 10 percent of GNP, and farmers' per capita incomes were less than half those of nonfarmers. During the last 60 years the structure of U.S. agriculture has changed dramatically and today 2 percent of the population lives on 2 million farms generating less than 2 percent of GNP and the average farm household income is 20 percent above that of the average nonfarm household (Gardner). In spite of these changes, much of the USDA's staff and administration's attention remains fo-

cused on enhanced farm income and support of production agriculture. New responsibilities and constituencies have simply been piled on top of the old structure. The result is a perceived lack of responsiveness and accountability. The irony is that USDA has always been viewed as "...one of the few federal entities that has direct, day to day contact with its constituents" (U.S. General Accounting Office 1991b). While USDA maintains its close contact with farm constituents, it lacks the same intimate connections with newer constituencies, especially consumers. The department's low level of staff committed to food programs illustrates the disparity. The current lack of consumer confidence in USDA meat inspection is but one example of this problem.

USDA future

USDA's fundamental problem is the absence of a clear and current mission. The addition of new responsibilities without a review of the department's

fundamental missions has led to a cumbersome and unresponsive organizational structure. Thus the first step in reinventing USDA is, as Drucker suggests, to develop a new business theory for USDA. A reinvented USDA should have a clear mission, effective organizational structure, relevant programs, and budget and staff to match, but the clear mission must come first. Reinventing the department should generate a vigorous debate about missions for a USDA future. We believe that among the many opportunities and challenges facing USDA, four stand out and seem likely to sustain broad public interest and support;

1. human health,
2. the environment,
3. renewable resources, and
4. regional development.

Agriculture has become so productive that many of us seem to have forgotten its original mission, sustaining our lives and health. The current debate over the U.S. health care system almost ignores the role of food in maintaining good health. The irony is that agriculture seems to have forgotten this fundamental mission in squabbles over food safety and nutritional labeling. U.S. agriculture must position itself to meet consumer needs for quality as well as quantity.

Environmental issues are high on the public's agenda and much of our environment is agriculture. However, as in the area of health, agriculture seems to have forgotten its roots. Decades of

experience in conservation practices are the precursor of today's emphasis on sustainable ecosystems, and stewardship is deeply embedded in the beliefs of America's farmers. Our knowledge about interactions between agriculture and ecosystems is increasing rapidly and it is becoming obvious that agricultural productivity is not necessarily at odds with ecosystems. Farmers' quiet but rapid adoption of integrated pest management during the 1980s illustrates the possibilities. As in the case of human health, the achievement of environmental goals requires proactive responses by agriculture.

Meeting the environmental challenges of the 21st century will increasingly require a focus on renewable resources. Agricultural researchers report numerous projects that explore new crops and new uses for traditional crops. The increased use of crops to provide fuel, pharmaceutical, and chemical feedstocks as part of a renewable industrial cycle could expand the probability of public support and broaden U.S. agriculture's horizons.

When the USDA of today was born in the 1930s, "rural" and "agriculture" were close to synonymous in much of America. Today however, production agriculture is not the only player in rural America and much agribusiness activity occurs in urban areas. Advances in information and telecommunications technology are leading to the development of regional economies linking urban and rural areas, blurring the lines

between urban and rural. U.S. agriculture, with strong economic links to both rural and urban areas, can make a major contribution to the development of emerging regional economies.

Reinventing USDA

If USDA is to meet the challenges of the future it needs to be reinvented—a clear mission, effective organizational structure, relevant programs, and budget and staff to match—rather than just reorganized. The first step in a successful "turnaround" is a thorough review of U.S. national policy goals and the department's mission. This step will require leadership from Congress, USDA, and constituent food, agricultural, environmental, and rural development groups. ☐

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Note: *AJAE* is the *American Journal of Agricultural Economics*, *JEEM* is the *Journal of Environmental Economics and Management*, *LE* is *Land Economics*, *Agribusiness* is *Agribusiness: An International Journal*.