

STATE OF FLORIDA



**OFFICE OF PROGRAM POLICY ANALYSIS AND
GOVERNMENT ACCOUNTABILITY**

**REVIEW OF THE
DIVISION OF MARKETING AND DEVELOPMENT
WITHIN THE
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

January 11, 1996

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JAMES L. CARPENTER

State of Florida

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY



January 11, 1996

The President of the Senate,
the Speaker of the House of Representatives,
and the Legislative Auditing Committee

I have directed that a review be made of the Division of Marketing and Development within the Department of Agriculture and Consumer Services. The results of the review are presented to you in this report. This review was conducted at the request of the Joint Legislative Auditing Committee. This review was conducted by Ron Patrick and Rob Vickers under the supervision of Gary VanLandingham.

We wish to express our appreciation to the staff of the Division of Marketing and Development, Department of Agriculture and Consumer Services for their cooperation during this review.

Respectfully yours,

James L. Carpenter
Interim Director

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Summary

Review of the Division of Marketing and Development

Purpose and Scope

This report addresses the Division of Marketing and Development within the Department of Agriculture and Consumer Services (DACCS). The Division provides a variety of services to Florida's agricultural industry and the public. Our review objectives were to:

- Determine whether the Division could reduce its need for general revenue by modifying or eliminating program activities or by adjusting user fees; and
- Assess the mechanisms the Division uses to evaluate the effectiveness of its marketing assistance services.

Conclusions and Recommendations

Although the Division of Marketing and Development is authorized to assess fees for its services, it provides some services for free and the fees it collects for other activities do not cover its costs. As a result, the Division has required \$4.7 million in general revenue, which provides 25% of its 1995-96 funding.

The Division could take several actions to reduce its costs and need for general revenue funding. These include: (1) modifying or privatizing its Market News Service program; (2) modifying or eliminating its Florida Market Bulletin; (3) transferring or selling unprofitable and declining state farmers' markets and reducing costs at the remaining markets; (4) closing the Miami marketing office or making this operation self-supporting by charging fees for its services; (5) transferring Arabian horse registration to industry associations; and (6) transferring the Agricultural Museum to an outside organization.

The Division could further reduce its general revenue funding needs by increasing user fees through: (1) raising

agricultural dealer licensing fees to fully cover program costs; (2) increasing industry participation in and contributions to trade shows; (3) assessing a subscription fee to fund its trade lead publication; and (4) increasing industry participation in and contributions to the Florida Agricultural Promotional Campaign.

These actions could reduce the Division's need for funding by about \$1.7 million annually, and are summarized in the table below.

Fiscal Impact of Revenue Modifications and Program Changes

Program Option	Fiscal Impact ¹
<i>Revenue Modifications</i>	
Increase industry participation in trade shows and cover 60% of costs	\$ 37,000
Increase industry participation and fees for FAPC	103,000
Increase agriculture dealer fees to cover cost of program	149,000
Establish subscription fee to fund trade lead publication	<u>12,000</u>
Total potential impact from revenue modifications	\$ 301,000
<i>Cost Reductions/Program Modifications</i>	
Eliminate Market News Service, or make program self-supporting	\$ 581,000
Transfer Arabian horse registration and breeders' awards to industry associations	75,000
Eliminate Florida Market Bulletin	280,000
Transfer or sell Starke and Sanford state farmers' markets ³	29,000
Reduce market management positions and eliminate security services	286,000
Eliminate Miami marketing office or fund through brokers' fees	68,000
Transfer Agricultural Museum to outside group	<u>105,000</u>
Total potential cost savings from program modifications	\$1,424,000
<i>TOTAL RECURRING POTENTIAL FISCAL IMPACT ²</i>	
<i>\$1,725,000</i>	

¹ Based on fiscal year 1994-95 Division activity levels and program costs net of revenues.
² The \$1.7 million reflects savings based on the alternatives yielding the highest positive fiscal impact.
³ Fiscal impact does not include the profit from the Pompano market which has been appraised for sale.

Source: Office of Program Policy Analysis and Government Accountability analysis of Division activity and cost data.

We recommend that the Division:

- Increase industry participation in trade shows to cover at least 60% of its costs of sponsoring this activity;
- Expand industry participation in the Florida Agricultural Promotional Campaign and set fees at the level to fully support this activity;
- Increase agricultural dealer fees to fully cover the cost of this program;
- Eliminate the Miami marketing office or establish brokerage charges to support this activity;
- Establish a subscription fee to fund the trade lead publication;
- Make the Market News program self-supporting by streamlining program operations and increasing USDA and industry funding, or alternately eliminate this program;
- Discontinue the Arabian horse registration and promotion activities and allow industry associations to administer this program;
- Eliminate the Florida Market Bulletin;
- Transfer or sell the Sanford and Starke state farmers' market facilities and continue negotiating the sale of the Pompano market. The Legislature could use the proceeds of these sales for needed capital improvements to other markets;
- Reduce State Farmers' Market program costs by reducing the number of market managers and eliminating market security services. Managers of markets in north Florida could oversee multiple facilities;

-
- Transfer the Agricultural Museum to an outside group. This action may require amending s. 570.901, F.S., which establishes the Museum within the Department;
 - Work with the Department of Citrus, agriculture and seafood producers, and staff at the Institute of Food and Agricultural Sciences of the University of Florida to develop comprehensive annual marketing plans to guide its activities; and
 - Work with these groups to develop performance measures and data sources to assess its effectiveness in attaining the goals established in its annual plan.

Agency Response

The Commissioner of Agriculture generally agreed with our findings and provided additional suggestions and alternatives regarding our recommendations.

Review of the Division of Marketing and Development

CHAPTER I Introduction

Purpose and Scope

This review addresses the Division of Marketing and Development within the Department of Agriculture and Consumer Services (DACS). The objectives of our review were to:

- Determine whether the Division could reduce its need for general revenue by modifying program activities or by modifying user fees; and
- Assess the mechanisms the Division uses to evaluate the effectiveness of its marketing assistance services.

Our review was made in accordance with generally accepted government auditing standards and accordingly included appropriate performance auditing and evaluation methods. Our fieldwork was conducted from April to October 1995, and included examining Division activity and fiscal records, interviewing Division staff and industry representatives, and conducting site visits to observe Division facilities and operations.

Background

The Division administers 12 programs that provide services to Florida's agricultural industry and the public. These include:

- **Agricultural Dealer Licensing.** This program regulates persons who buy or broker agricultural commodities from Florida growers to help assure that the growers receive proper payment for their products. Agricultural dealers must provide a surety bond that can be used to compensate growers in case of default.
- **Compost Promotion.** This program sponsors demonstration projects to develop markets for agricultural compost. The program also develops

guidelines for compost usage and a reporting system to track compost use by state and local governments.

- **Seafood Marketing.** This program promotes Florida seafood by developing promotional materials, making contacts with retailers, and identifying trade leads (potential buyers of seafood products). The program also provides technical assistance to producers, and sponsors product research and nutritional analysis through the University of Florida.
- **Aquaculture Development.** This program provides technical assistance to the aquaculture industry by responding to inquiries concerning funding availability, regulations, statutory interpretation, and related matters.
- **Market News Service.** This program gathers and disseminates price and shipment information on Florida agricultural commodities.
- **Agriculture Museum.** This facility is located in the basement of the Doyle Conner Building in Tallahassee, and has exhibits on Florida agriculture.
- **Promoting Florida Agricultural Products.** This program helps market Florida agricultural commodities by developing industry directories, merchandising reports, and trade leads. The program also produces advertising campaigns for industry associations and participates in domestic and international agricultural trade shows. In addition, the program coordinates the Florida Agricultural Promotional Campaign, which uses logos to identify Florida products to consumers.
- **Education and Communication.** This program creates and distributes educational publications, media programs, and news releases to consumers and schools. These include the "Florida Agriculture in the Classroom" initiative, which provides teaching materials to schools regarding Florida's agricultural industry. The program also publishes the Florida Market Bulletin, which contains information about DACS activities as well as classified advertising.

This publication is sent to persons engaged in agricultural commerce. The program also coordinates the communication efforts for DACS's other divisions.

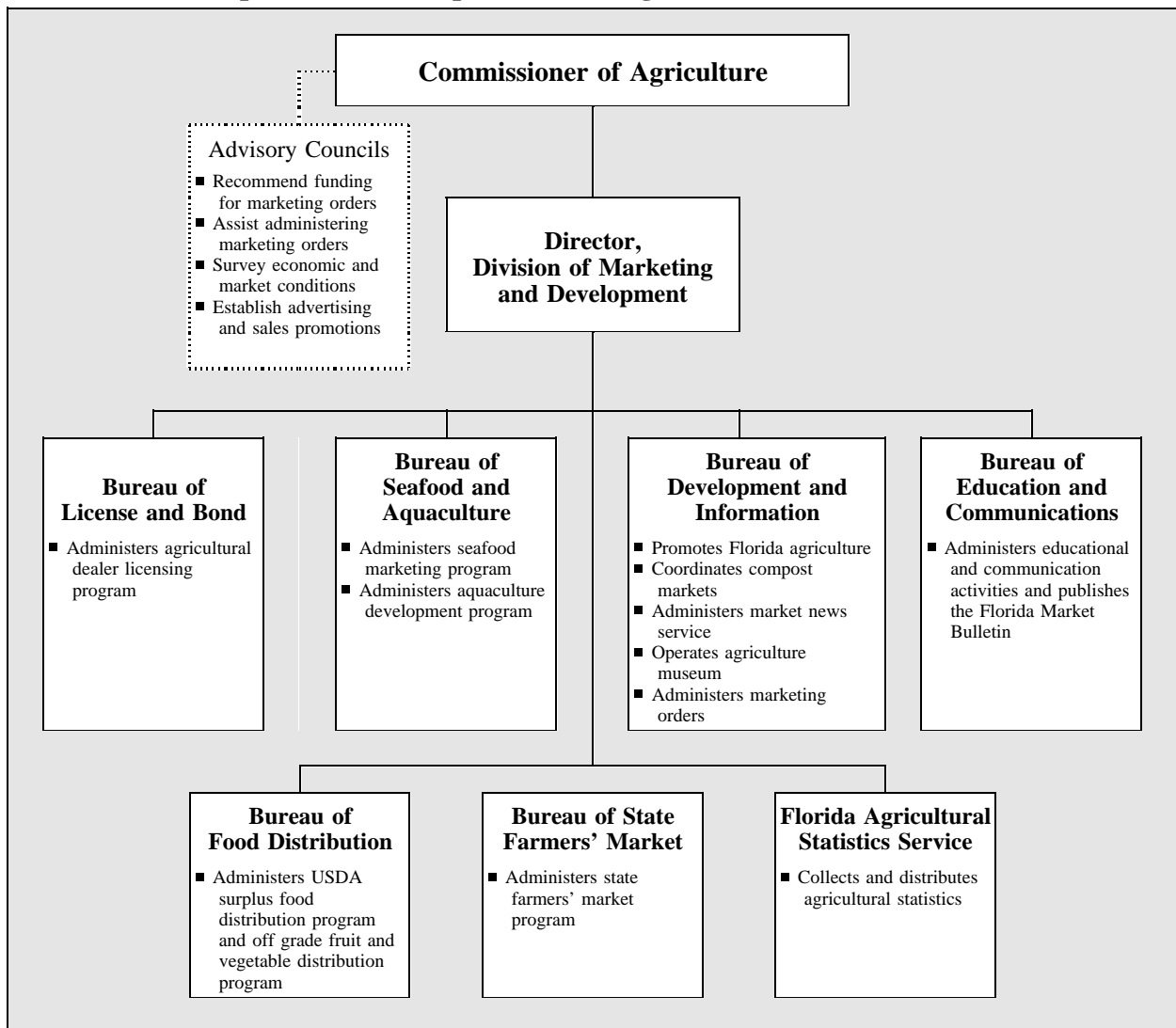
- **Florida Agricultural Statistics Service.** This program collects and reports annual crop estimates and production reports for citrus and other agricultural commodities. These reports are sent to producers, transportation firms, state and national policy-makers, and foreign buyers of agricultural products. The program operates in cooperation with the U.S. Department of Agriculture (USDA) and the University of Florida.
- **Food Distribution.** This program distributes surplus food provided by USDA to eligible recipient organizations such as schools, charitable institutions, food banks, soup kitchens, prisons, and summer camps. The program also distributes surplus and "off-grade" fruits and vegetables to charitable organizations.
- **State Farmers' Markets.** This program oversees one livestock pavilion and 14 wholesale produce markets located throughout the state.¹ Space at these facilities is leased to farmers, packers, brokers, and truckers. The markets also provide services such as crop and price information and truck weighing scales.
- **Marketing Orders.** This program administers federal marketing orders, which are industry-sanctioned agreements that regulate the distribution and handling of certain agricultural commodities. During fiscal year 1994-95, marketing orders were in effect for citrus production research, peanuts, tobacco, and soybeans.

¹ The Division owns an additional livestock pavilion in the northwest Florida city of Jay that is not currently used for livestock marketing. This site is leased for oil production.

Division Organization

The Division of Marketing and Development is 1 of 11 divisions within DACS. The Division is organized into six bureaus and is headquartered in Tallahassee. The Market News Service and the Florida Agricultural Statistics Service are based in Orlando. See Exhibit 1 for a listing of the programs administered by each Bureau. The Department is headed by the Commissioner of Agriculture. The present Commissioner, Bob Crawford, was first elected in 1990 and was re-elected in 1994.

Exhibit 1: Program Responsibilities of the Division of Marketing and Development of the Department of Agriculture and Consumer Services



Source: Chapter 570, F.S., and information provided by the Division of Marketing and Development, Department of Agriculture and Consumer Services.

Program Resources

The Division had an approved operating budget of \$19.3 million and 227 positions in fiscal year 1994-95 (see Exhibit 2). Of this total, approximately \$7 million was from general revenue, \$9 million was generated from various program fees and charges to program users, and \$3.3 million was derived from the Contracts and Grants Trust Fund.

Exhibit 2: Division of Marketing and Development Operating Budget Fiscal Year 1994-95

Budget Category	Budget
Salaries and Benefits	\$ 7,382,000
Other Personal Services	315,000
Expenses	4,402,000
Operating Capital Outlay	98,000
Special Categories ¹	5,090,000
Data Processing	286,000
Grants in Aid	930,000
Fixed Capital Outlay	817,500
Total	<u>\$19,320,500</u>

¹ Special categories include emergency food assistance programs, marketing orders, agricultural promotion and awards, and food distribution.

Source: Department of Agriculture and Consumer Services.

The Division was appropriated \$18,533,500 and 219 positions for fiscal year 1995-96.

CHAPTER II

Findings and Recommendations

Finding 1

The Division of Marketing and Development could reduce its funding needs by approximately \$1.7 million by modifying or discontinuing certain functions, and by increasing industry contributions and fees to cover higher percentages of its program costs.

The Division of Marketing and Development administers 12 programs that provide services to Florida's agricultural industry and citizens. The Division is authorized by Ch. 570, F.S., to establish fees and service charges to cover its costs for many of these programs and to receive grants and industry contributions to fund other activities. However, of the Division's \$18.5 million fiscal year 1995-96 appropriation, \$4.7 million (25%) was from general revenue.

We reviewed the Division's operations to determine if it could reduce its need for general revenue funding. We determined that:

- Only 3 of the Division's 12 programs are currently self-supporting;
- The Division could reduce its annual costs by up to \$1.4 million by modifying or eliminating some activities; and
- The Division could receive up to \$300,000 in additional revenues by increasing voluntary industry contributions to its programs and by raising some user fees to cover its service costs.

Together, these actions could have a fiscal impact of \$1.7 million.

Three of the Division's 12 Programs Are Self-Supporting

The Division receives fees or grants that partially fund 9 of its 12 programs. These include licensing fees paid by agricultural and seafood dealers, rental charges paid by businesses that lease space in state farmers' markets, excise taxes paid by citrus growers, federal grants, and voluntary industry contributions to the Division's agricultural promotional efforts. Overall, fee revenues, grants, and industry contributions covered 60% of the Division's fiscal year 1994-95 expenditures of \$16 million.

However, as shown in Exhibit 3, only 3 of the Division's 12 programs were self-supporting in fiscal year 1994-95: marketing orders, the Florida Agricultural Statistics Service, and seafood marketing. Division revenues covered between 0% and 83% of its expenditures for the remaining 9 programs. General revenue and trust fund supplements covered the funding shortfalls in these programs.

**Exhibit 3: Division of Marketing and Development
Program Expenditures and Revenues, Fiscal Year 1994-95**

Programs	Expenditures	Revenue	Percent of Expenditures Recovered
Food Distribution	\$ 3,325,000	\$1,879,000	57%
State Farmers' Markets	3,375,000	2,798,000	83%
Marketing Orders	1,514,000	1,721,000	114%
Promoting Florida Agricultural Products	2,850,000	334,000	12%
Florida Agricultural Statistics Service	1,344,000	1,432,000	107%
Education and Communication	1,197,000	0	0%
Seafood Marketing	895,000	993,000	111%
Market News Service	609,000	28,000	5%
Aquaculture Development	210,000	0	0%
Agricultural Dealer Licensing	576,000	427,000	74%
Compost Promotion	135,000	7,000	5%
Agricultural Museum	66,000	0	0%
Total	<u>\$16,096,000</u>	<u>\$9,619,000</u>	60%

Source: Division of Marketing and Development.

It is probably unrealistic to expect the Division to become fully self-supporting because some of its activities are intended to support new agricultural industries and aid in economic development; these activities may be viewed as long-term investments in Florida's economy that may not produce immediate revenues. However, we determined that the Division could reduce its need for general revenue funding by modifying or eliminating some program activities to save money and by increasing voluntary industry contributions and user fees to more fully recover its service delivery costs.

Several Programs Could Be Modified or Eliminated to Reduce Costs

We identified six areas where the Division could reduce costs by modifying or eliminating program activities: (1) modifying or eliminating the Market News Service; (2) modifying or eliminating the Florida Market Bulletin; (3) transferring or selling unprofitable and declining state farmers markets and reducing costs at the remaining markets; (4) closing the Miami marketing office or making this operation self-supporting by charging fees for its services; (5) transferring Arabian horse registration to industry associations; and (6) transferring the Agricultural Museum to an outside organization. In total, these actions could save up to \$1.4 million annually. These actions would also provide one-time revenues from the sale of state farmers' market facilities and avoid approximately \$7.5 million in fixed capital outlay expenses over the next four fiscal years.

Market News Service

This program collects and disseminates price and shipment data on Florida agricultural commodities. During calendar year 1994, the program disseminated 70,000 reports to 355 subscribers, which include growers, processors, and government agencies. Recipients pay subscription fees for these reports. However, these fees do not cover the program's costs. In calendar year 1994, subscription fees totaled \$84,000, while the Division spent \$609,000 to administer the program in fiscal year 1994-95. Further, under the terms of a cooperative agreement with the federal government, subscription fees are paid to the USDA. That agency retains most of the funds and returns some to the Department of Agriculture and Consumer Services (DACS) as a cost-sharing grant. In fiscal year 1994-95, the Division received only \$28,000 from subscription fee revenues.

Data Collection and Reporting Could Be Streamlined

We identified three options for reducing general revenue funding for this program. First, the Division could save money by reducing the data it collects and changing the process used to disseminate this information. Some of the data collected by the Division has a limited audience. For example, its reports on poultry production and sales are sent to only two subscribers. Eliminating reports and data that are not widely used by the agricultural industry would reduce costs. Data gathering and analysis, which is currently done manually for some reports, could be computerized to save money. Also, the Division could distribute its reports electronically, when possible, by placing them on the internet rather than its current practice of mailing or faxing reports to subscribers. While the Division could save money by modifying its processes, the amount of potential savings cannot be readily estimated.

Subscription Fees Could Be Raised

Second, the Division could increase revenues by raising subscription fees (which were last increased in May 1994) and/or by negotiating with USDA to increase the Division's share of current subscription fees. However, this action probably would not produce significant additional revenue for the Division. For example, negotiating a 50% revenue share with USDA and raising fees by 50% would provide an additional \$35,000 in annual revenues; the program would still require about \$546,000 in general revenue funding.

Market News Service Could Be Privatized to Save \$581,000

Finally, the Legislature could eliminate this activity. California and Washington have eliminated or reduced funding for market news programs in recent years and have used increased private and federal funding to support this service. DACS proposed to eliminate the Market News Service as part of its fiscal year 1996-97 25% budget reduction plan. This action would save about \$581,000 annually (expenses net of revenues).

Florida Market Bulletin

As part of its Education and Communication Program, the Division publishes and disseminates the Florida Market Bulletin, a newspaper-style publication that contains messages from the Commissioner and free classified advertisements for agricultural goods and services. The Bulletin is published twice a month and was being mailed

to approximately 21,000 subscribers as of September 1995. The Division spends approximately \$280,000 annually to produce this publication, and does not charge subscription fees or advertising fees.

**Fewer Issues of the Bulletin
Could Be Published to
Reduce Costs**

The Division could reduce its costs of producing the Bulletin by reducing the number of issues it publishes annually and by purging its mailing list more frequently. Publishing one rather than two issues of the Bulletin per month could potentially save up to \$140,000 a year. Currently, the Division purges its mailing list every two years by requiring recipients to return a card if they wish to continue to receive the Bulletin. As the result of its most recent purge, in March 1995, the Division dropped 13,000 subscribers, 39% of its mailing list as of that date. As many recipients do not wish to receive the Bulletin for extended periods of time, the Division could reduce its publishing and mailing costs by purging its mailing list annually.

**Bulletin Could Be Eliminated
to Save \$280,000**

Another option would be to eliminate the Bulletin, which would save \$280,000 annually. Division administrators asserted that the Bulletin is useful in helping the Commissioner communicate with the agricultural community. However, we noted that the Florida Farm Bureau, which also represents the agriculture industry, has a monthly newspaper that contains articles relating the Department's activities as well as classified advertisements. We also considered the feasibility of making the Bulletin self-supporting by charging subscription and/or classified advertising fees. A \$10 subscription fee or a \$30 classified advertising fee could largely recover the Division's costs if all the current subscribers were willing to pay these fees. However, it is likely that many persons would not choose to receive the publication if they had to pay these fees.

State Farmers' Markets

This program manages one livestock and 14 wholesale produce markets located throughout the state (see Appendix A for the location of the markets).² The produce markets provide centralized facilities for processing, packaging, and

² The Division also has an inactive livestock market that is currently leased for oil production.

**State Farmers' Markets
Face Several Challenges
Due to Industry Changes**

shipping Florida agricultural commodities. In addition to leasing space to brokers, packers, and distributors, the produce markets provide truck weighing scales and commodity price information. Gross commodity sales at the produce markets totaled \$213 million during 1994-95. The Division is required by Ch. 570, F.S., to establish fees that are sufficient to cover the costs of operating and maintaining the markets.

The program is facing several problems, including operating losses, declining commodity sales, loss of agricultural lands, and aging facilities. As shown in Exhibit 4, 3 of the 14 produce markets experienced operating losses during fiscal year 1994-95. Eight produce markets had lower commodity sales in fiscal year 1994-95 than in fiscal year 1989-90. Several markets have also experienced difficulty in attracting tenants that engage in packing and shipping activities, and have leased space to entities such as feed and supply stores and government agencies to fill vacancies. While such leases fill available space, they do not further the program's primary goal of providing processing, packaging, and shipping points for Florida agricultural producers.

These problems are largely attributable to changes in the agricultural industry over time. A 1992 University of Florida study cited land use changes, environmental and trade issues, changes in the types of commodities grown, and changes in the types of facilities needed to process and transport agricultural products as reasons for the markets' declining financial status. The study concluded that while most markets provide an important service to the agricultural industry, the long-term viability of several markets was questionable. Many of the facilities are old (ten were constructed over 50 years ago) and need substantial renovation to correct structural problems and meet industry needs. The Division's 1995-96 Legislative Budget Request identified more than \$27 million in fixed capital outlay needs for the markets over the next five years. Given the program's financial trends, this funding will have to come from external sources such as general revenue.

Exhibit 4: Profile of State Farmers' Produce Markets Fiscal Year 1994-95

Market (Year Established)	Number of Tenants	Net Operating Profit/(Loss)	Gross Commodity Sales	Requested Fixed Capital Outlay Fiscal Year 1996 to 2000
Bonifay (1938)	2	\$ (40,083)	\$ 824,210	\$1,124,666
Florida City (1940)	31	322,454	46,631,265	0
Fort Myers (1945)	25	55,019	2,897,573	6,326,511
Fort Pierce (1940)	19	110,106	12,254,039	2,237,990
Gadsden (1954)	8	115,233	15,906,184	134,490
Immokalee (1951)	30	137,163	17,058,783	3,265,561
Palatka (1938)	8	(8,375)	7,252,818	1,258,022
Plant City (1939)	25	219,697	49,166,729	0
Pompano (1939)	48	88,116	48,741,421	7,344,000
Sanford (1934)	25	4,383	135,346	0
Starke (1938)	4	(33,066)	18,167	125,000
Suwannee Valley (1988)	16	17,451	6,573,985	225,636
Trenton (1965)	7	6,322	3,456,000	304,470
Wauchula (1937)	17	27,347	2,384,375	89,967

¹ Net operating profit and losses do not include capitalization or depreciation of facilities.

Source: Florida Department of Agriculture and Consumer Services

Sales at the Sanford Market Have Dropped Significantly

It appears feasible to consolidate the program by phasing out two markets—the Sanford and Starke facilities.³ The Sanford market, established in 1934, is the oldest state farmer’s market in the nation. Urbanization has displaced traditional agricultural production in the Sanford area, and commodity sales at the market dropped from \$49.5 million in 1976 to \$135,000 in fiscal year 1994-95. The net operating profit for fiscal year 1994-95 totaled \$4,000. The University of Florida study concluded that based on declining agricultural production in the Sanford area the future of the market was uncertain. The Division could

³ While the Bonifay and Palatka markets also experienced operating losses in fiscal year 1994-95, these facilities appear to be economically viable in the long-term as agricultural production and sales are stable in these areas. Actions to reduce these markets’ operating costs could enable them to become self-supporting.

phase out this facility by either transferring it to a local government (as was done in the closure of two other farmers' markets during the 1980s) or by selling the facility to interested investors.

**Starke Market Has
Low Sales and
Operates at a Loss**

The Starke market had the lowest commodity sales in the state (\$18,000) and reported an operating loss of \$33,000 in fiscal year 1994-95. Agricultural production in the region has declined in recent decades, and many local growers currently market their crops directly to consumers through road-side stands. The market currently consists of a small packinghouse and retail market that has been leased to a single tenant for over 40 years, plus a feed store operated by another tenant. Another state farmers' market located within approximately 40 miles (at Palatka) could serve farmers that currently use the Starke market. Given these trends, phasing out the Starke market appears to be appropriate. The Division could sell the facility or transfer it to a local government in the area.

**Pompano Market
Could Be Sold to
Private Investors**

Additionally, it is feasible to sell the Pompano market to private investors. Although this market has generally remained profitable in recent years, it no longer services local agricultural producers. Due to urbanization, there is little agricultural production in the Pompano area and the market has evolved into a brokerage office complex and regional distribution center for commodities grown in other areas of the state and Central and South America. The facility has significant capital outlay needs (\$7.3 million) and has experienced declining commodities sales. A group of investors, including current tenants, has offered to buy the market from the state and retain its operation as a regional transportation distribution center. The market was recently appraised at \$4.3 million. As the market no longer serves the program's original intent, this sale appears appropriate.

**Market Management
and Security Costs
Could Be Reduced**

The Division could also cut program costs by reducing its management and security expenses. Currently, the 14 produce markets are staffed by 11 full-time managers and support staff, although most markets, particularly those in north Florida, are active during only part of the year due to limited growing seasons. It is questionable whether

full-time managers are needed at these markets. DACS's fiscal year 1996-97 25% budget reduction plan proposes to eliminate one manager position and have a single employee manage the Gadsden and Bonifay Markets. Division administrators noted that a single manager has overseen up to four markets in recent years. Requiring managers in other north Florida markets, where activity is highly seasonal, to oversee at least two facilities each could allow the Division to eliminate up to two positions, saving approximately \$80,000 annually.

The Division could also save money by transferring responsibility for market security services to market tenants. The Division currently has 12 security personnel assigned to the markets. DACS's fiscal year 1996-97 25% budget reduction plan proposed to eliminate nine of these staff and require market tenants to provide their own security services. DACS's plan would retain security personnel in the Pompano and Florida City markets, which are considered to have higher security risks. If the Pompano market were sold, security services at that facility could also be privatized. If tenants at the remaining markets were required to provide their own security services, it is questionable whether this service should be provided by DACS to only the Florida City market. Eliminating all security positions would save approximately \$206,000 annually.

**Program Changes Could
Save \$315,000 Annually**

The total fiscal impact of phasing out the Sanford and Starke markets, reducing manager positions, and eliminating state market security services would be approximately \$315,000 and would help the program become self-supporting as required by statute. Sale of the Pompano market would avoid the need for \$7.3 million in future capital outlay expenses. Revenues from the sale of the Sanford, Starke, and Pompano markets could be used to fund needed fixed capital outlay improvements at the remaining facilities.

Miami Marketing Office

As part of its agricultural promotion program, the Division operates an office in Miami (staffed with one FTE) that identifies foreign businesses that are interested in buying Florida agricultural products and attempts to bring these

firms and Florida producers together so that sales may occur. During fiscal year 1994-95, the office reported assisting in sales totalling \$2 million. The Division does not charge a fee for this brokerage service, and it spent \$68,000 to administer the Miami office in fiscal year 1994-95.

**Marketing Office
Could Be Eliminated or
Made Self-Supporting
to Save \$68,000**

DACS's fiscal year 1995-96 25% budget reduction plan proposed to close this office. This action would save approximately \$68,000 annually. The Department's proposal stated that the responsibilities of the Miami office could be assumed by staff located in Tallahassee. As an alternative to closing the office, the Division could explore funding its operation through brokers' fees charged for assisting in sales. Division administrators indicated that private sales brokerage services charge such fees. The Miami office would have been self-supporting if it had charged a 3% brokerage fee in fiscal year 1994-95.

***Arabian Horse
Registration***

**Program Could Be
Transferred to Industry
Association to Reduce
Appropriations by \$75,000**

The Division registers Florida-bred arabian horses and administers breeder and stallion promotional awards. These awards are funded by the "breaks" in pari-mutual wagering on arabian horse races.⁴ DACS proposed to eliminate this program in its fiscal year 1996-97 25% budget reduction plan. In this option, DACS would transfer its responsibilities to industry associations. This action appears to be appropriate, as industry associations handle similar activities for other parts of the horse industry. For example, registration and promotional awards for thoroughbred and quarter horses are administered by industry associations. This action would reduce the Division's appropriation by approximately \$75,000, but would not produce general revenue savings since this activity is generally self-supporting.

⁴ "Breaks" are the portion of pari-mutual wagers that are not distributed to bettors or withheld by the facility. As provided by Ch. 550, F.S., these funds are used to augment race purses and promote owning and breeding of Arabian horses in Florida. The funds may not be used to defray DACS expenses.

Agricultural Museum

Museum Could Be Transferred to Outside Group to Save \$105,000

The Museum's board of directors is evaluating proposals from local governments and other groups to relocate and operate the museum at a new site that will be selected in 1996. The Museum is currently located in the basement of the Doyle Conner Building in Tallahassee, and is visited by about 2,500 persons a year, mostly school groups. DACS's fiscal year 1996-97 25% budget reduction plan proposed to privatize this facility. Transferring the museum to an outside organization could make its exhibits more accessible to citizens and produce cost savings of about \$105,000 annually.⁵

Industry Support for Division Programs Could Be Increased

The Division could also reduce its need for general revenue by increasing the funding it receives from industry sources. These revenues could be derived from both increased voluntary industry contributions to the Division's marketing activities and from higher fees that would cover a larger portion of program costs. We identified four areas where it appears feasible for the Division to increase revenues: (1) increasing the percentage of trade show costs paid by participating industry groups; (2) increasing participation in the Florida Agricultural Promotion Campaign and raising fees for this service; (3) raising agricultural dealer licensure fees to recover program costs; and (4) establishing subscription charges for the Division's trade lead publication. In total, these actions could produce an estimated \$301,000 in new revenues.

Trade Shows

As part of its program to promote Florida agricultural products, the Division participates in domestic and international trade shows. The Division rents exhibition space at these events to showcase Florida agricultural products and makes a portion of this space available to businesses that wish to exhibit their own products. During fiscal year 1994-95, the Division participated in 24 domestic and international trade shows.

⁵ The increase in expenditures, from \$66,000 in fiscal year 1994-95 to \$105,000 in fiscal year 1995-96 is due to an increase in the number of Museum staff.

**Increased Industry
Participation in
Trade Shows Could
Produce \$37,000 Annually**

Although the Division has a goal that participating businesses should defray 60% of its trade show costs, it has not attained this level of industry support. In fiscal year 1994-95, the Division spent \$245,000 to participate in trade shows and received \$110,000 from participating businesses, recovering 45% of its costs. The Division is working to increase industry participation in trade shows, and believes that it is feasible to reach its 60% industry contribution goal in the next few years. Meeting this goal would produce an additional \$37,000 in revenues that could be used to reduce the Division's general revenue needs.

***Florida Agricultural
Promotional Campaign***

As another part of its program to promote Florida agricultural products, the Division administers a logo-based marketing effort for Florida-produced fruits and vegetables. Growers, brokers, packers, and shippers who are members of the Florida Agricultural Promotional Campaign (FAPC) may use the "Fresh from Florida" logo on their products. Growers and brokers must pay a \$50 annual fee, while participating packers and shippers pay up to \$100 annually, depending on their sales volume. The Division produces posters and materials to promote these products, and it contacts retailers to encourage these materials' use. As of June 30, 1995, there were 661 FAPC members.

**Program Is Not
Self-Supporting as
Required by Law**

Chapter 571, F.S., authorizes the Department to register FAPC members and to establish fees sufficient to cover its costs. However, the Division recovered only 29% of its fiscal year 1994-95 program costs. It spent \$146,000 on FAPC and received \$43,000 in industry contributions during the year.

**Increased Industry
Participation in FAPC
Could Produce
\$50,000 Annually**

The Division has established a goal to increase FAPC participation and revenues. The Division seeks to establish 650 new FAPC members during fiscal year 1995-96. This would produce an estimated \$50,000 in additional industry contributions and enable the Division to cover 64% of FAPC costs. Obtaining full self-sufficiency for FAPC would likely require a fee increase. The Division would need to increase its fees by an average of \$40 per FAPC member to make the program self-supporting; this fee

increase could make it harder to solicit and retain new members.

Agriculture
Dealer Licensing

**Program Is Not
Self-Supporting as
Required by Law**

This program regulates agricultural dealers to help ensure that growers who sell their crops to these persons receive proper accounting and payment for their goods. In fiscal year 1994-95, the Division licensed 2,907 agricultural dealers. Section 604.19, F.S., provides that DACS shall prescribe fees sufficient to assure the continued funding of the program. However, the Division spent \$576,000 to administer the program and received \$427,000 in dealer license fees, thus covering only 74% of its operating costs.

**Fees Could Be Increased
Within Current Statutory
Limits to Cover \$149,000
in Costs**

DACS is authorized by statute to assess fees of up to \$300 for annual dealer licenses. The maximum fee currently charged by the Division is \$265, and the majority of dealers pay the minimum fee of \$65. It appears feasible for the Division to amend its fee structure within the statutory limits and cover its costs of administering the program. Obtaining full cost recovery, as required by statute, would require an average fee increase of \$51 per dealer and would avoid the need to support this program with \$149,000 from other funding sources.

Market Trade Leads

**Program Could Become
Self-Supporting Through
Subscription Fees**

As part of its marketing assistance efforts, the Division publishes a report listing foreign trade leads (potential buyers of agricultural products) that it has identified. The Division mails this publication to approximately 670 businesses interested in exporting agricultural commodities, and estimates that the listing generated \$47 million in international sales during fiscal year 1994-95. The Division spends an estimated \$12,000 to produce and disseminate this publication. As businesses receive a direct benefit from the report, it appears feasible to charge a subscription fee to recover the costs of this effort. A fee of \$18 would cover the Division's fiscal year 1994-95 costs.

Summary and Recommendations

In summary, the Division of Marketing and Development is currently supported by general revenue, providing about 36% of its \$19.3 million fiscal year 1994-95 operating budget. Only 3 of the Division's 12 program areas are self-supporting, and the remaining programs are partially funded from fees.

While it is not feasible for the Division to become fully self-supporting, the Division could reduce its need for general revenue by modifying or eliminating some program activities, such as the market news service and the Florida Market Bulletin. Additionally, it appears feasible to phase out declining state farmers' markets and eliminate state market security services. The Division could also transfer the Arabian horse registration program to industry associations. The Division could increase industry support for some of its programs, such as trade shows, the Florida Agricultural Promotional Campaign, the Miami marketing office, and increase the fees supporting the agriculture dealer licensing program. Finally, the cost of providing market trade leads could be reduced by increasing industry support.

Accordingly, we recommend that the Division modify its program activities and fees to cover a greater percentage of the cost of operating its programs. Specifically, the Division should:

- Increase industry participation in trade shows to cover at least 60% of its costs of sponsoring this activity;
- Expand industry participation in the Florida Agricultural Promotional Campaign and set fees at the level needed to fully support this activity;
- Increase agricultural dealer fees to fully cover the cost of this program;
- Eliminate the Miami marketing office or establish brokerage charges to support this activity;
- Establish a subscription fee to fund the trade lead publication;

-
- Make the Market News Program self-supporting by streamlining program operations and increasing USDA and industry funding;
 - Discontinue the Arabian horse registration and promotion activities and allow the industry to administer this program;
 - Eliminate the Florida Market Bulletin;
 - Transfer or sell the Sanford and Starke state farmers' market facilities and continue negotiating the sale of the Pompano market. The Legislature could use the proceeds of these sales for needed capital improvements to other markets;
 - Reduce State Farmers' Market program costs by reducing the number of market managers and eliminating market security services. Managers of markets in north Florida could oversee multiple facilities; and
 - Transfer the Agricultural Museum to an outside group. This action may require amending s. 570.901, F.S., which establishes the Museum within the Department.

Exhibit 5 shows the potential fiscal impact if the above recommendations are implemented.

Exhibit 5: Fiscal Impact of Revenue Modifications and Program Changes

Program Option	Fiscal Impact ¹
Revenue Modifications	
Increase industry participation in trade shows and cover 60% of costs	\$ 37,000
Increase industry participation and fees for FAPC	103,000
Increase agriculture dealer fees to cover cost of program	149,000
Establish subscription fee to fund trade lead publication	12,000
Total potential impact from revenue modifications	\$ 301,000
Cost Reductions/Program Modifications	
Eliminate Market News Service, or make program self-supporting	\$ 581,000
Transfer Arabian horse registration and breeders' awards to industry associations	75,000
Eliminate Florida Market Bulletin	280,000
Transfer or sell Starke and Sanford state farmers' markets ³	29,000
Reduce market management positions and eliminate security services	286,000
Eliminate Miami marketing office or fund through brokers' fees	68,000
Transfer Agricultural Museum to outside group	105,000
Total potential cost savings from program modifications	\$1,424,000
<i>TOTAL RECURRING POTENTIAL FISCAL IMPACT</i> ²	<i>\$1,725,000</i>

¹ Based on fiscal year 1994-95 Division activity levels and program costs net of revenues.
² The \$1.7 million reflects savings based on the alternatives yielding the highest positive fiscal impact.
³ Fiscal impact does not include the profit from the Pompano market which has been appraised for sale.

Source: Office of Program Policy Analysis and Government Accountability analysis of Division activity and cost data.

Finding 2

While the Division performs a variety of services to help Florida agricultural and seafood producers market their products, its efforts are hindered by the lack of a formal marketing plan and limited data on the outcomes of its activities.

Pursuant to Ch. 570, F.S., the Division is responsible for promoting and marketing Florida agricultural and seafood products. The Division performs a variety of marketing activities, including coordinating and attending trade shows, conducting retail promotional events, compiling and distributing trade lead information, and making sales calls on purchasing executives. The Division also coordinates

the Florida Agricultural Promotional Campaign, a logo campaign that enables consumers to easily identify Florida agricultural and seafood products.

We identified two weaknesses in the Division's marketing assistance efforts:

- The Division has not established a comprehensive marketing plan that addresses all of its activities; and
- The Division collects only limited information to assess the outcomes of its marketing activities on agricultural and seafood sales.

**Marketing Plans
Not Comprehensive**

The Division's promotional efforts could be improved if it developed a comprehensive marketing plan to guide its activities. Marketing plans identify specific promotion strategies to be used, intended target audiences, results of previous marketing activities, preliminary budgets, and the expected outcomes of these efforts. These plans are important because they can guide Division efforts and help to ensure that limited resources are directed at those activities that have the greatest impact on sales.

The Division has established objectives and plans for some of its marketing efforts, but these plans are not comprehensive. DACS's 1995-1999 Agency Strategic Plan states that the Department will "Promote the use and enhance Florida's agricultural markets, both domestically and internationally," and establishes the objective to "By June 1999, increase by 10 percent above the 1992 levels of \$6.14 billion, the total value of Florida agricultural products sold." The Division has also developed planning documents for some of its marketing activities such as sponsoring international trade shows and the Florida Agricultural Promotional Campaign. However, the Division has not developed a comprehensive plan that establishes strategies, budgets, and goals for its other activities such as promoting specific commodities such as produce, seafood, and aquaculture. Instead, the Division has conducted activities in these program areas based on staff judgment or specific industry requests received throughout the year. While the Division needs to be able to respond to changing

market conditions and requests for assistance, it also needs to establish overall priorities and strategies.

In contrast, the Department of Citrus (DOC), which is charged with providing marketing assistance for Florida's citrus products, prepares formal annual plans that guide its marketing activities. These plans are developed with formal input from the citrus industry. DOC's 1995-96 Proposed Program Plans and Preliminary Operating Budget identifies specific marketing strategies and objectives that it will pursue during the year. This document identifies relevant market research, specifies the marketing activities to be conducted (e.g., television and print advertisements), identifies the intended target audiences and budgets, and states the desired outcome of each marketing strategy. DOC administrators consider this comprehensive plan to be critical for guiding its marketing activities throughout the year, obtaining industry support for these efforts, and for establishing criteria for evaluating whether DOC has been successful in achieving its goals.

**More Evaluation of
Marketing Outcomes Needed**

The Division's marketing efforts are also hindered because it collects only limited data on the outcomes of its activities. Although the primary goals of marketing programs are to improve consumer preferences and to increase product sales, the Division collects limited information on these results. As a result, it cannot readily gauge the success of its efforts.

The Division collects some information that is helpful in assessing outcomes. For example, the Division solicits feedback from trade show participants and subscribers to its trade lead publication to identify sales generated through these activities and calculate the return on investment for these efforts. However, the Division has not developed a systematic method for evaluating other activities, such as the effects of its solicitation efforts, the Florida Agricultural Promotional Campaign, and its promotional campaigns for specific products. For example, when the Division develops a marketing campaign for a certain commodity (e.g., watermelons), it generally does not collect data on whether product sales have increased, whether producers have received higher prices, or whether consumer

preferences have improved as a result of its marketing efforts. Instead, it tracks the value of industry contributions, in-kind retailer advertising, and complimentary radio ads.

In comparison, DOC uses a variety of techniques to assess the effectiveness of its promotional campaigns. DOC analyzes national sales data based on Universal Product Codes scanned at retail check-outs, commodity shipment reports, consumer polling and focus groups, retailer participation in incentive programs, and uses econometric models to identify demand for citrus products. Key criteria used in these assessments include changes in commodity sales and prices. DOC administrators indicated that these evaluation techniques provide feedback needed to manage successful marketing programs. DOC spends approximately \$1.5 million annually to evaluate its \$55 million marketing program.

Although the Division has limited resources to duplicate DOC's marketing evaluation activities, it should improve its data collection and evaluation capabilities. The Division should work with the Institute of Food and Agricultural Sciences of the University of Florida, industry groups, and the Department of Citrus to develop the capability to track sales and market research data. This would enable the Division to evaluate the effectiveness of its marketing assistance efforts and to redirect its resources towards those activities that are most successful in aiding Florida agricultural producers.

Summary and Recommendations

While the Division has begun to provide more structure to its marketing efforts, further work in these areas would improve its ability to assist Florida producers. We recommend that the Division work with the Department of Citrus, agricultural and seafood associations, and staff at the Institute of Food and Agricultural Sciences of the University of Florida to develop comprehensive annual marketing plans to guide its activities. These plans should identify marketing priorities, promotion strategies to be used and intended target audiences, preliminary budgets, and the specific quantified goals to be achieved. The

Division should also work with these groups to develop performance measures and data sources to assess its effectiveness in attaining the goals established in its annual plans. To the extent practicable, the Division should incorporate these measures into its annual performance reports and its Legislative Budget Requests. This will enable industry groups and the Legislature to more readily assess the Division's performance when making funding decisions.

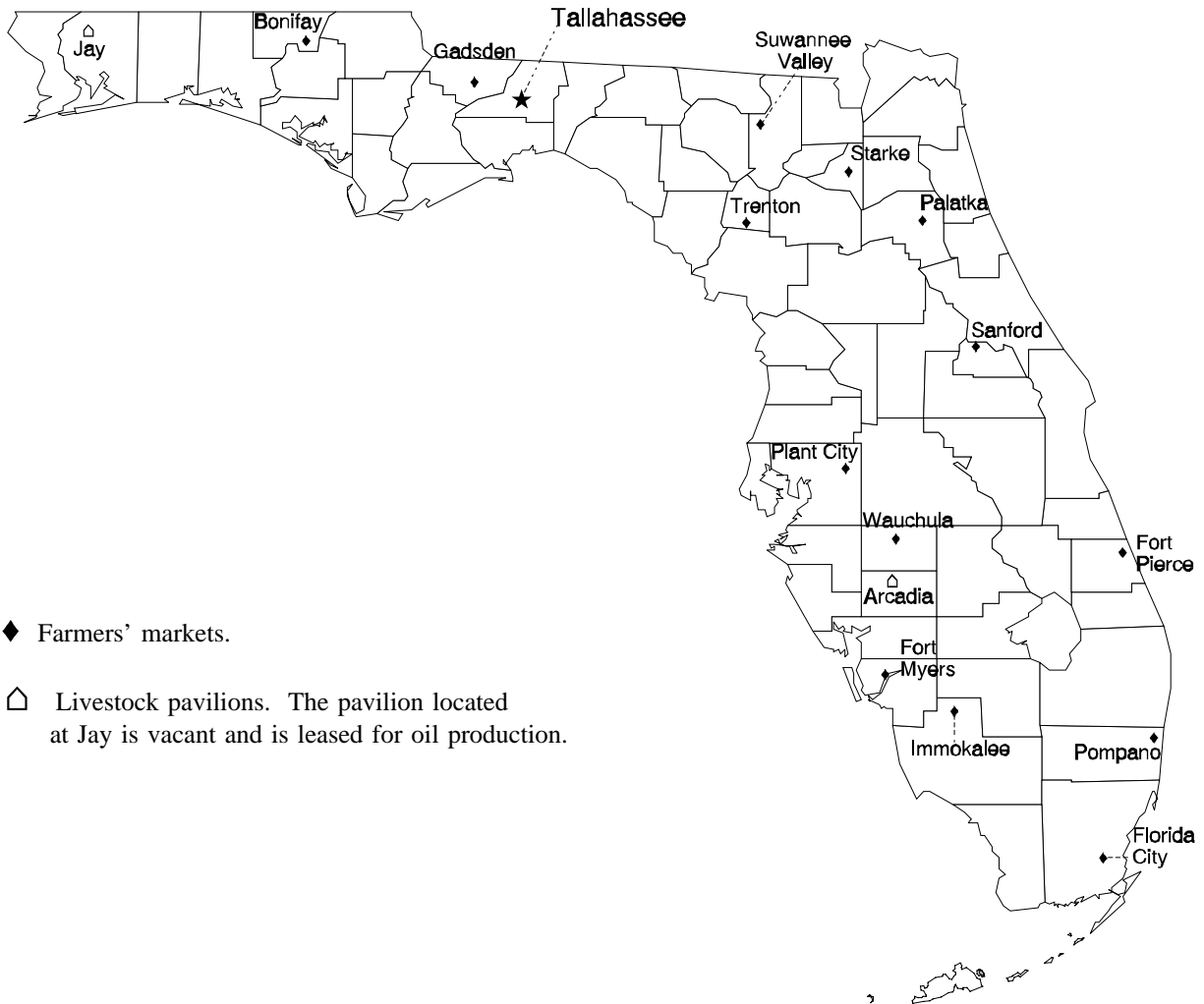
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Appendix A

Location of State Farmers' Markets in Florida



Source: Department of Agriculture and Consumer Services.

Appendix B
Response From the
Department of Agriculture and Consumer Services

In accordance with the provisions of s. 11.45(7)(d), F.S., a list of preliminary and tentative review findings was submitted to the Commissioner of Agriculture for his review and response.

The Commissioner's written response is reprinted herein beginning on page 29.

FLORIDA DEPARTMENT OF AGRICULTURE & CONSUMER SERVICES

December 29, 1995

Jim Carpenter, Interim Director
Office of Program Policy Analysis and
Governmental Accountability
111 West Madison Street
Claude Pepper Building
Tallahassee, Florida 32302

Dear Mr. Carpenter:

The following is my response to the preliminary and tentative audit findings in the review of the Division of Marketing and Development.

Finding: The Division of Marketing and Development could reduce its funding need by approximately \$1.7 million by modifying or discontinuing certain functions, and by increasing industry contributions and fees to cover higher percentages of its program costs.

Recommendation: Accordingly, we recommend that the Division modify its program activities and fees to recover a greater percentage of the cost of operating its programs. Specifically, the Division should:

Increase industry participation in trade shows to recover at least 60% of its cost of sponsoring this activity;

Response: We believe it is in the state's best economic interest for Florida companies and individuals to participate in and share in the cost of trade shows. The Domestic Section's goal is to recover 85% of costs associated with trade shows (excluding salaries) and the International Section's goal is to recover at least 60% of all costs associated with trade shows (excluding salaries).

Jim Carpenter, Interim Director
December 29, 1995
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We feel these cost-recovery ratios are adequate and equitable in light of our objectives.

Cost recovery methods to attain this ratio include:

1) Prior to reserving booth space at any show, industry is surveyed to gauge interest. We then collect industry contributions, in advance, to assure that necessary funding will be obtained.

2) As the cancellation date for the booth space approaches, the exhibit funding is reviewed to ensure that Florida Department of Agriculture and Consumer Services participation is in the best interest of the Department and the agriculture industry. If funding falls short, a decision is made to withdraw.

3) When budgets are established initially, travel is included for Florida Department of Agriculture and Consumer Services employees that will travel and work the exhibit, thus offsetting Florida Department of Agriculture and Consumer Services costs.

Recommendation: Expand industry participation in the Florida Agricultural Promotional Campaign and set fees at the level needed to fully support this activity;

Response: As outlined in the 1995-96 strategic marketing plans, all marketing representatives in the Domestic and International sections have a benchmark to sign up at least 50 new paid members in the Florida Agricultural Promotional Campaign. Reaching this goal will increase Florida Agricultural Promotional Campaign membership funding by approximately \$50,000 annually in the Bureau of Development and Information.

Recommendation: Increase agricultural dealer fees to fully cover the cost of this program;

Response: We are currently evaluating our agricultural dealer fee structure as well as other program costs in consideration of the state's continuing revenue shortage.

Recommendation: Eliminate the Miami marketing office or establish brokerage charges to support this activity;

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December 29, 1995
Page 3

Response: As part of the Department's response to the Senate's 25% reduction of the 1995/96 appropriation, we proposed the elimination of the Miami office.

Recommendation: Establish a subscription fee to fund the trade lead publication;

Response: We are currently conducting a survey of industry professionals and the readership to get information to create a fee structure. We estimate that this fee structure will be implemented in fiscal year 1996-97.

Recommendation: Make the Market News Program self-supporting by streamlining program operations and increasing USDA and industry funding;

Response: As part of the Department's response to the Senate's 25% reduction of the 1995/96 appropriation, we proposed the elimination of this program. We are currently in the process of streamlining the operation to make it more cost effective. We do not anticipate additional USDA or industry funding.

Recommendation: Discontinue the Arabian horse registration and promotion activities and allow the industry to administer this program;

Response: We would support legislation to achieve this recommendation.

Recommendation: Eliminate the Florida Market Bulletin;

Response: We are looking at ways to make the Florida Market Bulletin self-sufficient, which will include consideration of an annual mailing list purge, handling fee, and monthly distribution.

Recommendation: Phase out the Sanford and Starke state farmers' market facilities and continue negotiating the sale of the Pompano market. The Legislature could use the proceeds of these sales for needed capital improvements to other markets;

Response: Both the Sanford and Starke Markets are 100% leased. The Sanford State Farmers' Market is profitable. The Starke State Farmers' Market is not profitable, but there is strong potential. The Pompano market is being considered for sale. The Department is in the process of weighing all the options of this potential sale.

Jim Carpenter, Interim Director
December 29, 1995
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Recommendation: Reduce State Farmers' Market program costs by reducing the number of market managers and eliminating market security services. Managers of markets in north Florida could oversee multiple facilities; and

Response: The Department is considering plans to consolidate several markets and eliminate three market manager positions. We estimate that one position would be eliminated in the 1995-96 fiscal year. We estimate that the other two positions would be eliminated in the 1996-97 fiscal year. We have proposed eliminating security at certain markets as part of our response to the Senate's 25% reduction of the 1995/96 appropriation.

Recommendation: Transfer the Agricultural Museum to an outside group. This action may require amending s. 570.901, F.S., which establishes the Museum within the Department.

Response: We, in conjunction with the Florida Agricultural Museum Board of Directors, are currently reviewing proposals to relocate the Florida Agricultural Museum.

Finding: While the Division performs a variety of services to help Florida agricultural and seafood producers market their products, its efforts are hindered by the lack of a formal marketing plan and limited data on the outcomes of its activities.

Recommendation: We recommend that the Division work with the Department of Citrus, agricultural and seafood associations, and staff at the Institute of Food and Agricultural Sciences of the University of Florida to develop comprehensive annual marketing plans to guide its activities. These plans should identify marketing priorities, promotion strategies to be used and intended target audiences, preliminary budgets, and the specific quantified goals to be achieved. The Division should also work with these groups to develop performance measures and data sources to assess its effectiveness in attaining the goals established in its annual plans. To the extent practicable, the Division should incorporate these measures into its annual performance reports and its Legislative Budget Request.

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Response: The Division has developed marketing plans for the Bureau of Seafood and Aquaculture and the Bureau of Development and Information's Domestic and International Sections. These plans identify marketing strategies, benchmarks and ways to achieve these benchmarks.

The Department, as evidenced in the 1996-97 Legislative Budget Request, has made improvements to our performance measures for the Division of Marketing and Development. We will continue to improve these performance measures and data sources to assist in the evaluation of our programs.

I appreciate the efforts of your staff in helping us to improve the operations of state government.

Sincerely,

BOB CRAWFORD
COMMISSIONER OF AGRICULTURE

BC/lsw