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EXTEND COMMODITY FOOD DISTRIBUTION AUTHORITY

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HEARINGS

BEFORE THE

AD HOC SUBCOMMITTEE ON LEGISLATION TO EXTEND THE COMMODITY FOOD DISTRIBUTION AUTHORITY

OF THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

H.R. 13645, H.R. 14247, and Related Bills

MAY 2, 7, 8, AND 9, 1974

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EXTEND COMMODITY FOOD DISTRIBUTION AUTHORITY

THURSDAY, MAY 2, 1974

HOUSE OF REPRESENTATIVES,
AD HOC SUBCOMMITTEE ON LEGISLATION
TO EXTEND THE COMMODITY FOOD
DISTRIBUTION AUTHORITY OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to order, at 2:05 p.m., in room 1302, Longworth House Office Building, Hon. Thomas S. Foley (chairman), presiding.

Present: Representatives Foley, Jones of Tennessee, Mathis, Bergland, Wampler, Goodling, and Thone.

Also present: Hyde H. Murray and John Rainbolt, associate counsel; Steve Allen, staff consultant; and Anita Brown, staff assistant.

Mr. FOLEY. The Ad Hoc Subcommittee on Legislation to Extend the Commodity Food Distribution Authority will come to order. The subcommittee meets this afternoon to receive testimony from Members of Congress and from departmental witnesses on legislation pending before the Committee on Agriculture dealing with the extension of commodity distribution authority under various acts. The subcommittee has before it H.R. 13645 introduced by Mr. Roe and others, and H.R. 14247 introduced by Mr. Melcher and others. These bills are representative of the 21 bills pending before the subcommittee concerning commodity distribution.

[The bill H.R. 13645 introduced by Mr. Roe, Mr. Podell, Mr. Roncallo of New York, Mr. Roybal, Mr. Sarbanes, Ms. Schroeder, Mr. Steele, Mr. Studds, Mr. Mollohan, and Mr. Won Pat follows:]

[H.R. 13645, 93d Cong., 2d sess.]

A BILL To amend section 4a, the commodity distribution program of the Agriculture and Consumer Protection Act of 1973

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Food Commodity Program Amendment".

SEC. 2. The Agriculture and Consumer Protection Act of 1973 (Public Law 93-86) Commodity Distribution Act, section 4a, is hereby amended to read as follows:

"SEC. 4a. Notwithstanding any other provision of law, the Secretary of Agriculture shall (1) use funds available under provisions of section 32 of Public Law 74-320, as amended (7 U.S.C. 612c), to purchase, without regard to the provisions of existing law governing the expenditure of public funds, agricultural commodities and their products to maintain the 1973 level of assistance for food assistance programs as are authorized by law, including but

not limited to school lunch, institutions, Indian reservations not requesting a food stamp program, supplemental feeding, and domestic relief distribution, and (2) if the stocks of the Commodity Credit Corporation are not available, use the funds of the Corporation to purchase agricultural commodities and the products thereof under section 416 of the Agricultural Act of 1949 to meet such requirements."

[The bill H.R. 14247 introduced by Mr. Melcher, Mr. Alexander, Mr. Bergland, Mrs. Burke of California, Mrs. Chisholm, Mr. Culver, Mr. Davis of South Carolina, Mr. de Lugo, Mr. Denholm, Mr. Edwards of California, Mr. Fraser, Mr. Fulton, Mrs. Griffiths, Mr. Harrington, Mr. Hicks, Mr. Horton, Mr. Ichord, Mr. Jones of North Carolina, Mr. McSpadden, Mr. Martin of North Carolina, Mr. Mathis of Georgia, Mr. Matsunaga, Mr. Meeds, Mr. Mezvinsky, and Mr. Moakley follows:]

[H.R. 14247, 93d Cong., 2d sess.]

A BILL To amend the Food Stamp Act of 1964, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "food program technical amendment".

SECTION 1. Notwithstanding any other provision of law, the Secretary of Agriculture shall (1) use funds available under provisions of section 32 of Public Law 74-320, as amended (7 U.S.C. 612c), to purchase, without regard to the provisions of existing law governing the expenditure of public funds, agricultural commodities, and their products to maintain the traditional level of assistance for food assistance programs as are authorized by law, including but not limited to school lunch, institutions, Indian reservations not requesting a food stamp program, supplemental feeding, and disaster relief distribution, and (2) if the stocks of the Commodity Credit Corporation are not available, use the funds of the Corporation to purchase agricultural commodities and the products thereof under section 416 of the Agricultural Act of 1949 to meet such requirements.

Sec. 2. Section 3 of the Food Stamp Act of 1964, as amended, is amended by adding at the end thereof new subsections as follows:

"(o) The term 'tribal government' shall refer to any group of native Americans so recognized by the Department of the Interior.

"(p) The term 'Indian reservation' shall refer to any area so recognized by the Department of the Interior."

Sec. 3. Section 4 of the Food Stamp Act of 1964, as amended, is amended by (1) redesignating subsections (b) and (c) as subsections (c) and (d) and (2) inserting a new subsection (b) as follows:

"(b) Notwithstanding any other provision of law, the Secretary is authorized to formulate and administer a food stamp program at the request of any tribal government under which eligible households shall be provided with an opportunity to participate in the food stamp program under the provisions of this Act, in which case the tribal government shall be considered a State for purposes of this Act. Any tribal government requesting a food stamp program may enter into an agreement with a State to have the State administer such a program, or may delegate the administration to the Secretary of the Interior, in which case such State or Secretary shall be considered a State agency for purposes of this Act. The Secretary may issue regulations as he deems necessary or appropriate for the effective and efficient administration of the food stamp program on any Indian reservation requesting such a program."

Sec. 4. Section 15 of the Food Stamp Act of 1964, as amended, is amended to read as follows:

"(a) Each State shall be responsible for financing, from funds available to the State, or political subdivision thereof, the costs of carrying out the administrative responsibilities assigned to it under the provisions of this Act.

"(b) The Secretary is authorized to pay to each State agency an amount equal to 62.5 per centum of all such administrative costs including, but not limited to, certification of households; the acceptance, storage, and protection of coupons after their delivery to receiving points within the States; the issuance of such coupons to eligible households; outreach; fair hearing require-

ments; and the control and accounting of coupons: *Provided*, That the Secretary is authorized to pay to a tribal government or its agent, under section 4(b), an amount equal to 100 per centum of such administrative costs for that portion attributable to the administration of the food stamp program on any Indian reservation."

Mr. FOLEY. We are very happy to recognize as our first witness our distinguished colleague from Delaware, the Honorable Pierre S. du Pont.

Mr. du Pont, we welcome you.

STATEMENT OF HON. PIERRE S. DU PONT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF DELAWARE

Mr. DU PONT. Thank you, Mr. Chairman. Thank you for holding these hearings and for the opportunity given us to present our thoughts on these two bills. I am a sponsor of at least one of them, but I never can keep the numbers straight in my head, so I cannot tell you which of the two it is. I have a very brief statement which I would like to read and then I would be happy to respond to any questions.

I am Congressman Pete du Pont, Delaware's at Large Representative. I appreciate the opportunity you have given me to bring my concerns, and the concerns of my constituents, before your committee. Over the past several months, I have received letters from the Governor of our State, local Representatives and Senators, and State administrators, as well as concerned citizens advising me of their concerns with regard to commodities purchasing.

As I understand the problem, if section 4(a) of Public Law 93-86, which allows the Department of Agriculture to use section 12 and section 416 funds without reference to price support and surplus removal operations is allowed to expire on June 30 of this year, the State of Delaware, and all other States, will have to purchase all their foods for school lunch programs and institutional programs on a decentralized basis without the benefit of bulk purchasing now wielded by the Department of Agriculture. An article in the Washington Post on February 14, 1974, quoted Assistant Secretary of Agriculture Yeutter as stating that the Government "can provide an equivalent amount of assistance with a cash program that is now provided with a commodity program." I have serious doubts as to the effectiveness of the strategy and contacted several offices in Delaware for comment.

I have received a letter from Mr. John E. Babiarz, the Secretary of Delaware's Department of Administrative Services. He informed me that it would cost the State of Delaware in 1974 \$1 million to purchase food valued at \$797,944. The service charges which the State paid for this amount of federally donated food in 1973 came to \$46,341. The total cost therefore represented about \$844,285. Recipients of the school lunch and institutional food programs served 105,109 persons in 189 public schools, 5 private schools, 27 day care centers, and 47 institutions in Delaware in 1973. From Mr. Babiarz' figures I would have to conclude that equivalent assistance cannot be achieved, through cash-in-lieu of commodities plans or voucher systems, at a cheaper price. It would thus cost at least \$150,000 more

for Delaware to purchase these commodities; rather than having them provided by USDA.

Indeed, when asked that specific question, Mr. Robert Reed, the State supervisor for Delaware's school food service stated to me that the State distributing agency for USDA commodities collected data covering the period of August 1, 1973-January 31, 1974 which indicated that it would cost the State an additional \$200,000 to purchase the same type of food purchased by the Federal Government under commodities purchasing. He further states, and this is an important point, that Delaware does not have a statewide procurement program, nor does he believe that most other States have one. It seems, therefore, that the more effective method of procurement would be the current bulk purchasing by the U.S. Department of Agriculture. It would appear that the only saving to the taxpayer, if we go to the cash-in-lieu of commodities or voucher system, would be in the form of "robbing Peter to pay Paul" in that administrative costs of commodity distribution and procurement would be transferred entirely from the Federal Government to State governments. The taxpayer is still going to have to bear the burden. Indeed, the figures suggest that the taxpayer will bear additional administrative costs if the transfer is made.

Finally, we are not even sure what the cost would actually be if we instituted other forms of assistance to the school lunch and institutional foods programs. I would say to the committee that until such time as we can indeed provide the same benefits at cheaper costs, I urge this committee to take the necessary steps to extend our current form of commodities purchasing.

Thank you.

Mr. FOLEY. Thank you very much, Mr. du Pont.

Any questions?

Mr. WAMPLER. Mr. Chairman, I want to commend our friend and colleague from Delaware for a very fine statement. I am sorry I came in in the middle of it. I have just finished answering the roll call.

I know of his continued interest in this question and the commodity food distribution program and the school lunch program. I think his statement will be very helpful.

Mr. FOLEY. Mr. Bergland?

Mr. BERGLAND. Mr. Chairman, I have no questions. I want to join our colleague, Mr. Wampler, in commending our witness for a very good job. I think this is a helpful statement. It is helpful to know the reaction on the part of state administrators who will be responsible for providing food and school assistance in the absence of USDA programs. It is well documented and I commend you, Mr. du Pont, for an excellent statement.

Mr. THONE. It is pretty obvious he has a good staff.

Mr. DU PONT. I thank the gentleman from Nebraska.

Mr. FOLEY. Again, Mr. du Pont, we appreciate your taking the time to appear before us to offer your views on the legislation under consideration. There is some confusion about jurisdiction as the Committee on Education and Labor is in the process of reporting legislation dealing specifically with the school lunch program. How-

ever, other aspects of the commodity distribution programs are in effect in your State and many other States. It is important and helpful as Mr. Bergland and others have said, for us to have an opportunity to know the problems that concern the State administrators such as yours in Delaware.

Thank you very much.

Mr. DU PONT. Thank you, Mr. Chairman.

Mr. FOLEY. The next witness will be the Honorable John Melcher from Montana, member of this committee.

STATEMENT OF HON. JOHN MELCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. MELCHER. Thank you, Mr. Chairman, members of the ad hoc committee.

I have a very brief statement. I will be happy to answer any questions that I may be able to answer.

Along with 47 cosponsors, I have introduced a bill in the House which will pretty well dovetail with the companion bill in the Senate which has been reported out of the Senate Agriculture Committee without change. It was sponsored over there by Senators McGovern, Humphrey, and others.

Every feature of the bill that we have before us, H.R. 14247, is contained in the Senate bill. However, the Senate has some additional features that go beyond this bill and go beyond commodities into food stamp provisions. I think one of the more moving speeches I have heard on the House floor was given by the chairman of this ad hoc committee, Mr. Foley, when he spoke a few years ago about the need for food stamps. I was impressed, as were all of our colleagues on the floor at the time, with the eloquence, the sincerity and the honesty of Mr. Foley when he described the overwhelming need in this country and in this Congress to recognize that while we dole out millions upon millions and billions for this and that purpose, when it comes sometimes to satisfying hunger for poor people, to satisfy their daily nutrition requirements, Congress is slow and often niggardly. And that is what his bill is about.

It is a bill to satisfy hunger and nutritional needs for certain groups of disadvantaged citizens. It is not anything new, it is just an extension of what we have been doing, as you members of this committee and all the members of the House Agriculture Committee, are aware.

Just think of what we are doing when we supply these commodities for schools, for day care, for Headstart, for supplemental food programs for pregnant women, for children up to the age of 6, for those under the WIC program, for people in institutions where we take care of chronic medical needs, including mental institutions, nursing homes, facilities for the handicapped and for crippled children, for Salvation Army soup kitchens for the elderly and their nutrition programs, for senior citizen centers, for the Red Cross, and for summer camps.

You know, when commodity prices are low, it is said that the leadership for such a program comes from those of us who are close

to commodity groups, who represent producers. We get in the forefront, and we explain surplusses should be available to hungry people. And we are right when we do it, but these people need food at all times, whether they are surpluses or not.

I am pleased to note the 47 members who have cosponsored the bill that I have introduced represent a broad cross-section of the House. Some members of this ad hoc committee and some of the rest of us that are on the full committee are sponsors. I think they include a majority of the women members of the House—at least we have Mrs. Abzug, Mrs. Burke, Mrs. Holtzman, Mrs. Griffiths and Mrs. Chisholm. This crosssection of the House represents not just producers' groups but urban areas and the interests of all of the people of this country, no matter where they live. I am proud of that fact.

Now, Mr. Chairman and members of the Committee, on the question of jurisdiction, this bill has been in the Congress quite a few weeks. Because there is a question of jurisdiction, our attention is being drawn to it now. But it is still timely. I think this Committee, the House Agriculture Committee, should retain jurisdiction. Our jurisdiction is not limited to schools and education. We can look at it on a broad basis, including what commodities are available, what the Secretary of Agriculture should do about purchasing commodities. And we can follow through, making sure the commodities are available to these institutions and groups that need them.

I urge the ad hoc committee to consider the bill favorably.

I will be happy to answer any questions.

Mr. FOLEY. Thank you very much, Mr. Melcher.

Are there any questions?

Mr. BERGLAND. Mr. Chairman, I have a couple of questions. Before I pose them, however, I would like to compliment the gentleman from Montana for his initiative in this area. He has worked very hard to join this issue and bring it to this committee. He is widely known as one of the outstanding advocates of programs that provide aid to people who are in distress.

John, I have two questions. Section 2 of this proposal provides authority for Indian reservations to be regarded as a State and therefore, able to administer the food stamp program within a reservation. Would this apply equally to those reservations that are designated by law as open and those designated by law as closed reservations?

The reason for my question is that there are several reservations of Indian people in my State of Minnesota, some of which are designated under law as being open, which means they are, to some extent, dependent upon the local government authorities for aid, particularly in the field of public welfare. In the closed reservations, that is not true. Does this proposal make any distinction between the two?

Mr. MELCHER. Might I ask if those reservations that you are describing are now receiving the commodities?

Mr. BERGLAND. They are.

Mr. MELCHER. Then it would be my belief that they would continue.

Mr. BERGLAND. Both reservations would be entitled, if they chose, to operate a food program within the boundaries of that reservation?

Mr. MELCHER. A commodity program?

Mr. BERGLAND. A commodity program.

Mr. MELCHER. Yes, that would be my understanding.

Mr. BERGLAND. That would be true also in the management of the administration of the food stamp program. Section 2 goes to that aspect of the assistance.

Mr. MELCHER. Yes, it would. It would be true of the food stamp program, too.

Mr. BERGLAND. My last question has to do with section 4(b), the administrative costs, which provides that the USDA is authorized to pay to the State agency in the amount of 62.5 percent of administrative costs. How does that 62.5 percent compare with present costs? Do you know offhand?

Mr. MELCHER. I think I am going to ask Mr. Murray, because he knows better than I, but I think the States now pay 50 percent plus the transportation.

Is that not right?

Mr. MURRAY. I am going to disprove your theory, because I do not know.

Mr. MELCHER. Fifty percent, that is my understanding. You might ask the chairman.

Mr. FOLEY. Mr. Springfield is here and I am going to defer the question to him.

Mr. BERGLAND. If I may, I will just defer the questions until we hear from Mr. Springfield.

Thank you, Mr. Melcher.

Mr. FOLEY. Thank you very much, Mr. Melcher. We appreciate your appearance and testimony.

The next witness will be our distinguished colleague from Oklahoma, the Hon. James Jones.

Mr. Jones, we are happy to have you before this subcommittee.

STATEMENT OF HON. JAMES R. JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. JONES. Thank you, Mr. Chairman, members of this subcommittee. I appreciate this opportunity to be able to voice my concern and participate in your hearings. I will not take much of your time. I have talked to several of you individually about my concerns in this and I will ask your permission to be able to present a full statement and supporting material for the record. Since I also have a competing committee at this time, I just merely want to summarize my concerns.

In my district, which is mostly urban, in January I started receiving communications from institutions and schools which were concerned about the termination of this commodities program. On January 21st, I communicated my concern and those of my district to the Secretary of Agriculture. I received an interim reply, which was nonresponsive. Then about 3 months later, I received a final reply, which was also nonresponsive to my original request.

The request is very simple: In an administration that prides itself on management efficiency would you just give me some cost effec-

tiveness data to show that it is cost effective to do away with this program and what are you planning to replace it with? I have yet to get relevant data that will support this decision. I know there is a series of bills which would extend the program. I am not going to take a position on which one of those bills should be promoted, but I do think that this committee and the Congress ought to take the lead in extending for 1 year this program so that a full discussion and investigation can be held as to what will happen if the program is terminated and whether or not it is cost-effective to terminate the program and dismantle this commodity distribution system.

Briefly, that is my concern. I think it would only be the responsible thing for Congress to extend the program and in the interim period to conduct the investigation and determine the best approach to take in the future.

With that, Mr. Chairman, I would submit to any questions. If the committee has none, I would like to submit for the record all of the data that I have.

Mr. FOLEY. Without objection, submissions of the gentleman from Oklahoma will be received for the record or the file.

Are they voluminous?

Mr. JONES. It is right here.

Mr. FOLEY. Without objection, it will be received as appropriate for the record or the file.

[The complete statement of Mr. Jones follows; attachments to his statement are held in the committee files.]

PREPARED STATEMENT OF HON. JAMES R. JONES, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF OKLAHOMA

Mister Chairman and Members of the Committee:

I am pleased to be with you today to testify on an issue that is important, not only to the people of my district, but to people throughout the nation. The Administration has announced that it intends to terminate the commodity distribution programs that have been a part of assistance programs for needy individuals and families, and a key element in lunch programs for schools and institutions for nearly 40 years.

As I am sure all the distinguished*members of this committee are aware, the federal government has purchased and distributed low-cost commodities to needy families, to school and other institutions for many years, partly in order to shore up farm prices. Then when food *shortages* began to emerge, the Congress noted the new situation and authorized the Agriculture Department in last year's farm bill to purchase commodities at market prices during periods when there are no surpluses. And as I am sure all the distinguished members of this committee also are aware, a number of bills have been introduced in both houses to extend this purchasing authority beyond its expiration date of June 30, 1974. And, although I am not here today to argue in favor of any one of these measures, I would like to inform the committee of the problems I have with the Administration's approach to this problem as it applies to the district I represent and to the State of Oklahoma.

During January of this year I began to receive letters from officials of various schools and institutions in Oklahoma expressing alarm and dismay over notifications they had just received that shipments of commodities were to be cut back drastically. At this point, Mr. Chairman, I would like to submit seven letters for the record which show the written exchanges I have had with various officials of the Department of Agriculture since January.

This exchange began with a letter I wrote to Secretary Butz on January 21, 1974, reflecting the concern of some of my constituents that the cost of school lunches will be increased and that some schools might have to close their lunch

programs altogether if the commodity program is reduced severely. In the case of more than 350 institutions across the state, it was feared that a reduction of commodity volume would force them to ask the legislature for appropriations to cover the value of the foodstuffs. Indeed, this already has happened in some cases, raising the prospect of increased state taxes. I might note at this point, Mr. Chairman, that taxpayers are affected just as much by increased state state taxes as by increased federal taxes.

On January 30, I received a reply to my letter of January 21 from Assistant Secretary of Agriculture Clayton Yeutter. He said that, "The questions which you raise are currently under review in the Department. We will be able to provide you a detailed response shortly."

Just two weeks after receiving that letter from Mr. Yeutter, a confidential memorandum from him to Secretary Butz calling for "a gradual phase down (and hopefully phase out)" of all Agriculture Department food purchase and distribution programs by the end of fiscal 1975 was made public by Senator George McGovern. That memo, I since have learned, was dated January 25, which was before Mr. Yeutter's reply to me saying the questions are "under review."

It was not until March 25, after numerous telephone calls from my staff, that USDA finally responded to my inquiries. I use the term "response" loosely, because the response from Deputy Assistant Secretary John M. Damgard was, to put it charitably, less than adequate.

So it became clear to me, Mr. Chairman, that here we had a major proposal by the Department of Agriculture which had the backing of high department officials who had little more than a hunch to justify it. Meanwhile, telephone calls from my office to USDA officials revealed that this plan would replace the commodities furnished to schools with cash payments and would eliminate all assistance to institutions. This is to be largely accomplished during the 1975 fiscal year. Yet to date the department has made no approach to the Congress for authorization to do it. It is my firm belief that such an important shift should receive full airings through hearings and should travel through the legislative process.

Further, my staff learned from Mr. Edward J. Hekman, Administrator of the Food and Nutrition Service of USDA, that there are plans to transfer the service to the Department of Health, Education and Welfare after the present commodity programs are phased out. The phasing out of present programs are, then, but a first step toward accomplishing a major change in the way the government helps poor people in this country get adequate nutrition. Yet Congress has not been presented with any Administration proposal to accomplish these changes. There have been no cost effectiveness studies to justify these changes. And there have been no studies of the side effects of such a shift.

For instance, in attempting to justify such a change in approach, USDA officials have cited the fact that agricultural reserves are practically nonexistent now, and that therefore a commodity program to support crop prices is no longer necessary. There is logic to this argument, but again there may be other reasons for maintaining a certain level of reserves. Commodity assistance to disaster victims will be affected, for instance. And if entire towns are blown away, as in the recent tornado outbreak in the Midwest, food stamps and vouchers may do little good.

I would like to call your attention to a report in the Washington Post of Tuesday, April 30, with the headline "Commodity Shortage Policy Hit." The article by Morton Mintz deals with a report by the General Accounting Office which charges that the 20 or more federal agencies involved with handling a commodity crisis have no policy to guide their decisions. The thrust of the report, as it relates to agriculture, appears to bear out my worst fears—that the Administration has no overall plan to deal with production, export, import, shortages or surpluses of vital food and other commodities.

So it is becoming increasingly clear to me that USDA, with Administration support, is proceeding merrily along the way to major changes in this vital program and in the way needy people are treated without the proper Congressional review and oversight.

By April, I had reached the point of exasperation. I wrote letters on April 4 to Secretary Butz and to Mr. Roy Ash, Director of the Office of Management and Budget. I suggested to Mr. Ash that if he had available manpower he might be well advised to use it in coming to grips with the management

issues raised by the proposed shifts in the commodity purchase and distribution program. I further advised him that data available to me from my District did not support the Department's position.

Finally, on April 17, almost three months after I had addressed the initial letter to USDA on the matter, I received a letter and statistical tables from Joseph Wright Jr., Assistant Secretary for Administration. Mr. Wright was my first contact at the Department who showed a genuine willingness to be responsive to our requests for information. These tables purport to show that the USDA's purchase of some commodities for schools run above the average wholesale costs for those foodstuffs, and Mr. Wright argues that states and local schools could purchase these items at a lower cost than the Department of Agriculture.

Mr. Chairman, if these interim and preliminary figures are supported by facts, I will be the first to agree with the Department's recommendations. I favor any program which will assure that school children, needy families, and persons lodged in institutions receive a balanced diet at a lower cost than before. But I cannot help but be concerned about the Department's plan when I read the letters and look at the figures supplied to me by schools and institutions in the First District of Oklahoma. Secondly, I cannot help but be somewhat dismayed when I read that Mr. Yeutter's memo of January 25 recommended to Secretary Butz that the Department begin reducing commodity assistance as much as possible after June 30, 1974, "thereby minimizing the flak" if the program were terminated on June 30, 1975. Further, the memo predicted it would be difficult to persuade groups concerned with child nutrition to accept the phaseout. He then speaks of a strategy to "provide an adequate carrot in the form of cash" to diminish their opposition.

I would now like to submit to the Committee the figures supplied to me by elementary and secondary school systems in my District, which show the importance in dollars and cents and in human terms.

For instance, Tulsa's public schools this year are feeding an average of 41,822 students a day, of which 10,489, or about 25 per cent, qualify for free or reduced fee lunches. The commodity program supplies about \$255,000 worth of food and Tulsa schools have spent \$2,350,000 for food in addition to that. So you can see that without commodities the entire lunch program would be much more costly, possibly affecting the number of free or reduced fee lunches that could be provided.

The Sand Springs school system's total food bill this school year is \$133,680, and another \$75,715 worth of commodities was received. This commodity volume was so large that school officials there estimate a cutoff would force them to double their charge for meals which now cost 45 cents. That school system in a Tulsa suburb feeds an average of 2,527 meals a day, of which 500 are free to children of low income parents.

Also, I would like to include for the hearing record, copies of some of the letters I have received, expressing concern at the planned termination of the commodity purchasing program.

Mr. Chairman, there is one aspect of this problem that I have not yet addressed. It involves the switchover from commodities to food stamps for individuals and families. Although in many areas of this country, there may be advantages to a food stamp program for needy families, I would like to note that in some so-called ghetto areas in metropolitan locations and in some rural areas, there are few large supermarkets where a varied selection of food is available. Therefore, I would like to sound a note of caution on a switchover from a commodity distribution program for welfare recipients to a program totally reliant on food stamps. It may work well in some areas, but I fear that in some areas of the First District, for instance North Tulsa, the selection of foodstuffs from neighborhood food outlets may be far narrower than in other more affluent areas. So there may be a logical argument for retaining the commodity program in these neighborhoods.

I fear that the rationale behind the Administration's move to phase out the commodity program may be based more on philosophy and political expediency than on hard facts.

Therefore, I would support an extension of the commodity purchasing authority for at least a year, and I would appeal to the Committee to consider at the same time asking the General Accounting Office to study the Admin-

istration's figures and statistics on the effect of phasing out the commodity purchasing program. If the phaseout is justified, then I would support it. But if the cost to the schools, individuals, and families of this nation merely is going to be shifted from the federal to the state and local level, then I can see no logical reason for it.

I thank the Committee for the opportunity to testify.

Mr. FOLEY. Are there any questions from the gentleman of Oklahoma?

Mr. GOODLING. Mr. Chairman, I would like to ask the gentleman one question. I asked my representatives from the Commonwealth of Pennsylvania the same question yesterday: Is the State of Oklahoma in any worse shape financially than the Federal Government?

Mr. JONES. No, as a matter of fact, in the State of Oklahoma, we have to operate under a balanced budget. So we cannot have a deficit as does the Federal Government.

The fact is if this program is terminated, however, it will necessitate an increase in taxes in Oklahoma, so the taxpayer is going to pay the bill one way or another. The question is do you dismantle this particular distribution system entirely, with no indication of what kind of program is going to replace it.

Mr. GOODLING. I might say that during the past 12 years, I have been hoping against hope that we might at least approach a balanced budget, but I have given up all hope. I do not ever expect to see that in my time here.

Mr. JONES. Well, I think we have already seen it in your time here. The last surplus budget was the fiscal year 1969 in the last year of the Johnson administration. We did have a surplus budget that year, as you will recall. And I believe we had a surplus budget in 1957 or 1958, also. I think from time to time we should have these surplus budgets and we should strive for a balanced budget.

The question I have, and I think this administration should be particularly concerned about is one of management efficiency. Is it efficient to dismantle this program? If it is, then let us dismantle it. But we ought to have some facts. We should not just shoot from the hip.

That is all I am asking. Give us some time for the Congress to get the facts and if it is not cost effective, do away with it.

Mr. GOODLING. I might add that I have been involved in school districts as a director. I served as a director for 28 years. I know something about the school lunch program. I would like to point out to you that budgetwise we are similar to what you are in Oklahoma. We must have a balanced budget in the Commonwealth of Pennsylvania. And I told my friends from Harrisburg yesterday, you people in Harrisburg are in a far better financial position than we are. Somewhere along the line, we have to draw the line of these handouts. I mean Santa Claus must move away from Washington.

Mr. JONES. I agree with that.

Mr. GOODLING. It is about time we realized it.

Mr. JONES. I would solicit the gentleman's support in my effort to do away with general revenue sharing. We are just sharing deficits.

Mr. FOLEY. Any other questions?

Mr. Bergland?

Mr. BERGLAND. I have a question. I want to commend the gentleman from Oklahoma for his fine research in this area.

In response to the gentleman from Pennsylvania, a tax is a tax is a tax and whether I pay it in the form of local real estate tax to support my school institution or in Federal income tax, it is a tax.

Mr. GOODLING. Will you yield on that particular point?

Mr. BERGLAND. Certainly.

Mr. GOODLING. You will realize with me that when my dollar comes to Washington and your dollar comes to Washington, your school district back home or by school district back home does not get a dollar, by any means.

Mr. BERGLAND. I guess we could argue that point.

Mr. THONE. We are going to have to turn you guys over to Wilbur Mills and the Ways and Means Committee.

Mr. BERGLAND. All right.

My question, Mr. Jones, and I mean to apologize for I have not had a chance to read the wealth of material you have supplied to this committee, but in talking with the State Administrators about the curtailment or the expiration of commodities, have they been able to provide you with any evidence as to whether the cost will be more or less?

Mr. JONES. Yes, as a matter of fact.

Mr. BERGLAND. I am talking about the cost to taxpayers, wherever they are found?

Mr. JONES. That is correct. I believe in the supporting material, there is direct evidence from the people of Oklahoma. They say it will be more costly for them to do the job.

Mr. BERGLAND. Do the job through the voucher program?

Mr. JONES. Yes sir.

Mr. BERGLAND. The maintenance of a direct distribution program is more efficient and therefore of less cost to the taxpayer?

Mr. JONES. That is correct.

Mr. FOLEY. Again, we wish to thank the gentleman for the information he has given to the subcommittee. I know it will be helpful in our deliberations.

Mr. JONES. Thank you.

Mr. FOLEY. Is Mr. Koch present in the hearing room?

[No response.]

Our next witness is Mr. Koch of New York. Until he arrives, we will hear from the representative of the Department.

I would like to call now Mr. James E. Springfield, Deputy Administrator of the Food and Nutrition Service of the Department of Agriculture.

**STATEMENT OF JAMES E. SPRINGFIELD, DEPUTY ADMINISTRATOR,
FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE**

Mr. SPRINGFIELD. Thank you, Mr. Chairman. I would like to introduce on my right here, the deputy assistant secretary, Mr. John Damgard, who is going to help me out on the tough questions.

Mr. Chairman and members of the committee, we welcome the opportunity to meet with you today to discuss legislation being considered to extend special purchase authority for commodity distribution beyond its current expiration date, June 30, 1974.

Traditionally the term "commodities" has come to mean the surplus foods that farmers could not sell without depressing prices and which were purchased by the Government as part of the price support program. The Government then disposed of these surpluses through the Federal-State food distribution program.

In seeking useful ways to dispose of surplus foods, the food distribution program over the years developed a broad clientele of recipients including schools, needy families, supplemental feeding programs, and other special categories.

Now, the conditions which generated this kind of assistance have substantially changed. The changing agricultural situation has had a major impact on the need to support farm prices through the purchase of commodities and, hence, the need to find ways of usefully disposing of such commodities.

Today, the Federal Government simply does not have access to large surpluses of food at bargain rates, as we did in the past. In fact, the Department's efforts to purchase food, even at market levels, have sometimes been difficult.

For the current year, the special purchase authority Congress provided in the Agriculture and Consumer Protection Act of 1973 has enabled us to maintain the annually programmed levels of assistance for schools, needy families, and other domestic food assistance programs. But clearly, the system is struggling under changed circumstances of need and availability.

The Department believes the objective should be to phase out the direct distribution of agricultural commodities by June 30, 1975, and that we should move toward other more effective systems for meeting food assistance needs that are more compatible with present trends in agriculture and food production.

The real question becomes then, how do we deliver nutrition benefits most efficiently in light of today's changed circumstances?

We have the basic answer to that question insofar as family food assistance is concerned with the direction the Congress gave us in the 1973 Farm Bill to implement a nationwide food stamp program. In a parallel vein, the Department has, over the past several months, been involved in a continuing review of possible alternatives to direct commodity distribution programs.

During this period of review, we consulted widely with our State cooperators in order to come up with the best possible means for managing this period of change. We concluded that—rather than abruptly terminating commodity distribution—we need to budget and plan for a smooth, orderly phasedown of food distribution. This will allow for building in appropriate, alternative forms of assistance with a minimum of disruption to the people and organizations involved.

We see the coming fiscal year beginning July 1 as the commodity phasedown with the goal being to complete the transition by June

30, 1975. To help bridge the transition year, we have submitted to the Congress a legislative proposal for a 1-year extension of the permissive authority available to the Department this year to buy commodities at market prices. It would expressly serve to maintain "the annually programmed level of commodity assistance to schools, supplemental food programs and for needy households in political subdivisions where the Secretary determines it is impossible or impracticable to extend the food stamp program."

Looking at the transition in family food assistance programs, I am gratified to be able to tell you that we are making excellent progress in implementing the Congressional mandate to switch all remaining food distribution counties into the food stamp program by June 30.

We are now down to only one U.S. county which has no food assistance program at all for needy families or no plans to start one. That is Beaver County, Okla. Five years ago, when the President announced his program to eliminate poverty-related hunger in America, that number stood at 430 "no-program" counties.

Additionally, all but six counties in the United States have firm plans to make the change from commodities to food stamps, and we are working closely with appropriate State agencies to see that the gap is closed. There are also six counties without a food assistance program for which firm dates have not been established. Of the 778 counties which were still operating food distribution programs last August when Congress mandated the switch to food stamps, all but 52 will meet the June 30 deadline to complete the changeover. In total the progress has been heartening.

Thus, we are left with relatively few exceptions, as the law allows, in the timetable for implementing a nationwide food stamp program. In New Hampshire, for example, delayed funding from sources within the State will require postponing the start of the food stamp program until August. Missouri will have food stamps in its remaining 30 food distribution counties by July 9 and Virginia will complete the transition by September 1.

In working with our cooperating agencies to accomplish an orderly changeover, we find that the process will in some cases require a little longer to complete in the island territories and on some of the Indian reservations. Unique problems on the Papago and Navajo reservations of Arizona, for instance, require delaying the start of food stamp assistance there until September, with complete conversion by the end of December.

In Puerto Rico we approved a plan proposed by the Governor to phase in food stamps on an orderly basis starting the next month or so with completion as rapidly as possible during the coming fiscal year.

The Virgin Islands' food stamp program will be in operation by September 1. And the island of Guam also expects to have the program going by around the first of September.

The Trust Territories of the Pacific would continue to operate the food distribution program next year since the Food Stamp Act does not include them.

A 1-year extension of the authority to buy commodities will allow us to provide an adequate food package to eligible recipients in these few areas where food stamps will not be available on July 1.

Additionally, the commodity authority would enable us to continue operating the supplemental food program substantially as it is for the next year as we consider alternative means to assist the women and children taking part in that program. The specifics of such a plan will depend on the outcome of our evaluation of the new special supplemental food program for women, infants and children. We will be making a full report of our findings to Congress. The evaluation will help shape future policies and programs for this special group.

Schools are a third major area of consideration in the adjustments that must be made in the face of the changing commodity situation. While Federally-donated foods represent only about 20 percent of the food used in the school feeding programs, their contribution has been widely recognized and appreciated by school food service leaders. Thus, we have sought considerable help from our State co-operators as we developed plans to replace the commodity distribution support with a program of comparable cash assistance.

We will shortly submit to the Congress a legislative proposal which will include our design for such a program. This and the proposal for special purchase authority for 1 year will allow us to provide an orderly flow of commodities to the schools early in the school year, phasing into an all cash program beginning in fiscal year 1976.

Overall, in view of the current production and marketing picture, we believe it makes sense for the Federal Government to get out of the food procurement business in support of these programs. However, steps in this direction should be orderly, well thought-out and accomplished with a minimum of disruption to groups which have come to depend on this support. The legislation we have submitted to provide for an additional year of purchase authority in the areas I have described will make that possible.

Thank you very much.

Mr. FOLEY. Thank you very much, Mr. Springfield.

There is a record vote in progress on the House Floor and the subcommittee will stand in recess until this vote is concluded. I hope you and Mr. Damgard can remain until we return.

Mr. SPRINGFIELD. Sure.

[Recess.]

Mr. FOLEY. The ad hoc subcommittee will come to order.

Mr. Springfield, we appreciate your statement. I notice you indicate that proposed legislation will be forwarded by the Department shortly including a design for the transition program and possible food stamp amendment. My concern is that the legislative authority for appropriations for commodity purchases expires on June 30. I hope that the Department will be able to meet and expedite its submission before this date, so we might have it before us when we begin markup on the various bills now pending before the committee.

I am not sure is Mr. Bergland is going to be able to return, but for the record, you might state the costs that are borne by State commodity distribution programs are the administrative costs.

[The proposed legislation of the Department follows:]

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 2, 1974.

HON. CARL ALBERT,
Speaker of the House of Representatives

DEAR MR. SPEAKER: Enclosed for the consideration of the Congress is a draft of a proposed bill "To amend the Agriculture and Consumer Protection Act of 1973." The Department intends to submit to the Congress a child nutrition proposal in the near future. Its provisions will, among other things, provide for a program of cash in lieu of commodities.

The proposed amendment contained in this draft bill would provide a one-year extension of legislative authority to utilize funds available under Section 32 of Public Law 74-320 and Section 416 of the Agricultural Act of 1949 to permit the purchase of agricultural commodities and the products thereof for donation to schools during the transition from the current program of food commodity assistance to a program of cash assistance. The amendment would also provide for commodity assistance to remaining Special Supplemental Food Programs. Finally, it would provide for the continued donation of commodities in family food assistance programs located in areas where it is impractical to convert to the Food Stamp Program by July 1, 1974.

We ask that the draft bill be favorably considered.

The Office of Management and Budget advises that there is no objection to the presentation of this proposed legislation from the standpoint of the Administration's program.

Sincerely,

CLAYTON YEUTTER,
Acting Secretary.

Enclosure:

A BILL To amend section 4(a) of the Agriculture and Consumer Protection Act of 1973

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4(a) of the Agriculture and Consumer Protection Act of 1973 is amended to read as follows:

"(a) The Secretary of Agriculture is hereby authorized until July 1, 1975, (1) to use funds available to carry out the provisions of section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c), and not expended or needed for such purpose to purchase, without regard to the provisions of existing law governing the expenditure of public funds, agricultural commodities and their products of the types customarily purchased under section 32 for donation to maintain the annually programmed level of assistance for schools, supplemental food programs, and for needy households in political subdivisions where the Secretary determines it is impossible or impracticable to extend the Food Stamp Program, and (2) if stocks of the Commodity Credit Corporation are not available to use the funds of the Corporation to purchase agricultural commodities and the products thereof of the types customarily available under section 416 of the Agricultural Act of 1949, as amended (7 U.S.C. 1431), to meet such requirements."

Mr. SPRINGFIELD. As I understood the question, it had to do with the State administrative costs associated with the food stamp program, which is what his bill deals with. It changes the administrative costs of the food stamp program to 62.5 percent of all state costs. Currently, the Federal Government picks up 62.5 percent of the costs of certification of families. In addition to those costs, there are costs of issuing the stamps and these are all non-Federal costs at the moment. Mr. Melcher's bill will pick up 62.5 percent of those costs as well.

Mr. FOLEY. In the event that a county under the existing law opts to retain a commodity distribution program parallel to the food stamp program—for different recipients, the county pays the required administrative costs of the commodity distribution program. Is that correct?

Mr. SPRINGFIELD. That is true.

Mr. FOLEY. Prior to transition from commodity distribution programs to food stamp programs, what portion of the administrative costs of commodity distribution programs were paid by the counties?

Mr. SPRINGFIELD. There is no set percentage. There is, has been in recent years money made available to counties that operate the commodity distribution program. That figure in recent years has been running, I believe, between \$14 and \$20 million per year. I do not have that as a percentage of the value of the commodities, but the amount has been running about \$14 to \$20 million per year to the States to administer the food distribution program in counties.

Mr. FOLEY. To what extent are tribal organizations authorized to administer commodity distribution or food stamp programs?

Mr. SPRINGFIELD. The only arrangements we have directly with a tribal group are special arrangements we have with the Navajo, Papajo and Wind River tribes, where we have in recent years dealt directly with those tribes in their operation of the commodity distribution program.

Elsewhere, as far as I am aware, arrangements with Indian tribes, both in the commodity program and the food stamp program, have been through State agencies.

Mr. FOLEY. And eligible families residing on or off Indian reservations are, under the program in that event, administered by the local government, is that correct?

Mr. SPRINGFIELD. Yes. The overall administration, regardless of whether it is commodities or stamps, would be with the appropriate State agency. In the case of food stamps, the State would have, the welfare department would have the overall administrative responsibility. As far as the local operations are concerned, certification would have to be done by the local welfare office, the same as it is for any other group.

Mr. FOLEY. Does the Department have any position with respect to proposals before the committee such as contained in H.R. 14247, to permit tribal entities to be considered as States for the purpose of food stamp administration?

Mr. SPRINGFIELD. Yes, in our report to the Senate on this and in testimony, we opposed that provision. The bill would actually provide two alternatives for Indian tribes. It would provide on the one hand that they could choose to, rather than deal with the State agency, deal with the Department of the Interior, or more specifically, the Bureau of Indian Affairs. Or they can choose to deal directly with us.

Our feeling has been that the experience in the stamp program, in which the State welfare agencies have had the responsibility within the State has been a good experience; that to have a situation, at least theoretically, where you could have in the same State one group of people dealing with BIA, another group dealing directly

with us and a third group dealing with a State welfare agency as far as food stamps are concerned, would not be a wise administrative approach.

Mr. FOLEY. To what extent are commodities distributed to State institutions at the present time? What are the general guidelines for distribution of commodities?

Mr. SPRINGFIELD. Institutions, and these would be primarily things like hospitals, homes for the elderly, those kinds of institutions, can receive commodities to the extent that they are serving needy individuals within that institution. They get commodities based on the number of needy people that are in that particular institution.

Nationwide, I believe the figures are about 9,000 such institutions get some commodity support from us.

Mr. FOLEY. Does this include correctional institutions?

Mr. SPRINGFIELD. Yes, there are some correctional institutions involved.

Mr. FOLEY. Are State juvenile institutions of various kinds usually included?

Mr. SPRINGFIELD. Yes. I believe it is Federal and State correctional institutions. I believe city and county workhouses and jails are excluded. In fact, I think there is some legislation introduced which would change that.

Mr. FOLEY. Does the Department have any position with respect to that?

Mr. SPRINGFIELD. Yes, we provided a report to the Congress indicating that in view of the fact that the surpluses that have traditionally supported this kind of program were disappearing, we did not think it wise to increase the kinds of outlets that would be eligible to get that kind of assistance.

Mr. FOLEY. Have you prepared the estimated costs at relatively current market prices to continue commodity distribution programs for institutions, schools, and other recipient entities?

Mr. SPRINGFIELD. Well, yes, taking them one at a time, we have indicated in the 1975 budget that there is contained in the budget \$290 million of commodity support for schools. For institutions, the budget contains, in the event that there were to be surpluses available, the possibility, I believe, of \$16 million.

The supplemental feeding program for women and children, I think, contains \$15 million.

Mr. FOLEY. This is the fiscal year 1975?

Mr. SPRINGFIELD. Yes. For families, as I have indicated in the testimony, there will be some areas that will continue in the family program for some period of time.

Mr. FOLEY. For distribution purposes?

Mr. SPRINGFIELD. Right. And I think in just a second, I can give you that figure.

We estimate that we would need about \$41 million during next year for that transition period. I think that runs the list.

Mr. FOLEY. Thank you.

Are there any questions for Mr. Springfield?

Mr. BERGLAND. Mr. Chairman, I have some.

Mr. FOLEY. Mr. Bergland.

Mr. BERGLAND. Thank you, Mr. Chairman.

Mr. Springfield, does the Department have some means by which they can get a reasonably accurate estimate of the needs of people in terms of balanced diet and the approximate cost of those needs?

Mr. SPRINGFIELD. The best response to that, I think, Mr. Bergland is that the Food Stamp Act that was enacted in 1970 requires that we provide coupon allotments that are equal to a nutritionally adequate diet, or that provide a nutritionally adequate diet. The Agricultural Research Service of the Department of Agriculture does this kind of work and we have used for the purposes of establishing coupon allotments what they refer to as their economy level diet. We are now required to modify our coupon allotment every 6 months, depending on changes in the cost of that economy level diet. Effective July 1, the coupon allotments or what is nutritionally adequate on the basis of the economy level diet will change to \$150 per month for a family of four. That will be, the coupon allotment for July is actually based on the cost of food in February, which is the most recent data we can use in order to make a change in July.

Mr. BERGLAND. Do you have a means by which you can determine the cost effectiveness of a direct commodity distribution program as compared with food stamps?

Mr. SPRINGFIELD. Not very easily. By and large, over recent years, the food stamp program, even prior to last fall when Congress made it mandatory, has seemed to be the preferable program. Counties have been choosing food stamps in preference to the commodity program and I am not aware of any specific, very comprehensive studies which would attempt to do a cost effectiveness kind of study.

Now, there may be some partial work, but nothing that I am aware of at the moment.

Mr. BERGLAND. Since the Congress took action last year, I have been besieged by letters from elderly people, primarily, from my rural district in Minnesota and from some Indian folks, who tell me that they much, much prefer the direct distribution program to the food stamp program. The typical case is an elderly husband and wife who, for a variety of reasons, do not want to participate in what they identify as a welfare program—namely, food stamps—but have over the years received some benefits from the direct distribution. This is a home where the wife is able to prepare a balanced diet and cook the foods and cut some costs as compared with taking the food stamps and going down to the grocery store and paying the higher retail prices.

I have been impressed with this. It seems to me that this would fit in many, many instances. I therefore was searching for some information as to whether or not this is true in fact, or whether I am making a judgment without having the complete picture.

Mr. SPRINGFIELD. We have had consistently—that is, even when a program has been, until last fall, a matter of county option, basically, as to whether they moved into the stamp program or stayed with commodities, even in situations where county officials, presumably representing the wishes of that county, have moved to

stamps, there have been these kinds of concerns by people who have been accustomed to a way of doing things, a way which they like. I can say, though, I think, that basically, the response once the stamp program is in the area and the families have access to a greater variety in terms of what they can get at the store, greater choice, that by and large, I think a lot of these people—and I cannot say most, or almost but a lot of them, certainly—have changed their views and think that the stamp program gives them the kind of variety and flexibility that they prefer once they get used to it. But this has been a kind of concern that came even when the counties were making this choice voluntarily.

Mr. BERGLAND. How many counties in the United States have been operating the dual program, both food stamps and direct commodity distribution?

Mr. SPRINGFIELD. Only three to my knowledge, which have been up in the State of Washington, Mr. Chairman, which you doubtless are familiar with.

Mr. BERGLAND. Why have there not been more?

Mr. SPRINGFIELD. The Department has generally felt that, as a matter of policy, it was not a desirable thing to have two programs that are basically designed to serve the same purpose and the same group operating in the same area; that administratively, this was not appropriate. It also poses very real problems in terms of maintaining who is participating in which program. So as a matter of policy, the Department has rather successfully discouraged that kind of effort.

The only other exception to that is that frequently, and this will be happening very much during the next couple of months, when a county is switching over from commodities to stamps, there will be a 90-day period in which both programs will operate so that we do not have a lot of people suddenly cut off without any access to assistance for some short period of time.

So there is dual operation for up to 90 days frequently, but on a permanent basis, it has been extremely restricted.

Mr. BERGLAND. I did not know until a year ago that there was authority to operate both programs. In fact, a number of authorities in my State had applied to the State welfare agency to run both programs, because there was a need for both. And they were told by, I am not sure who, that there was not authority to run both programs, but I was surprised to find there is authority, that this has been curtailed administratively.

Mr. SPRINGFIELD. Until about 2 years ago, there was no authority, but the law has been changed. The amendments to the Food Stamp Act, if my memory serves me, made that change, to permit the use of both programs.

Mr. BERGLAND. My last question goes to the comparable costs on the voucher as opposed to the direct commodity distribution for schools. I realize that that question may be more properly within the jurisdiction of Committee on Education and Labor, but we will be considering some proposals on Monday having to do with the school program. As a Member of the House, I will have to vote on that proposition.

Can you give this committee or give me any estimates in costs of running the voucher program as opposed to distribution of commodities? We have heard testimony from the States that the cost to the taxpayer will be higher.

Mr. SPRINGFIELD. At this point, I cannot, but let me give you some comments in response to that.

As the testimony indicates, our view is that next year ought to be a year in which commodities will continue to be distributed, at least a fairly substantial amount of commodities will continue to be distributed. The year after that will be the year in which we will move to an all-cash lunch program and the Administration is committed to the substitution of a comparable amount of cash to the commodities that have been going in. In other words, the commitment in recent years has been commodity support of about 7 cents per lunch and the Administration has made clear that its legislation to establish an all-cash program will at least provide that much cash to replace the commodities lost.

Now, at the same time, while the prospect of any substantial surpluses do not appear very likely at the moment, there is still likely to be, at least from time to time, some need for some kind of surplus removal program.

So what the Department has indicated is that we will be proposing a voucher program as a way of dealing with what will develop in terms of surpluses. So that it will be basically a cash program, but a voucher approach to make use of surpluses or to encourage the use of surpluses when they develop as a complement or part of an overall cash program.

Mr. BERGLAND. Let me cite a current example.

Turkey prices are at disaster levels, and turkey producers in my county, and I have hundreds of them, are in deep financial trouble. The voucher that you describe, then, would provide authority for local schools to buy turkey in the case when you have a turkey surplus and the prices are at disastrous levels?

Mr. SPRINGFIELD. That is our current thinking, that instead of—there is probably more than one way of doing this, but certainly one way would be instead of buying the turkeys and shipping them, the Department would provide for the purchase of turkeys by schools.

Mr. BERGLAND. And they would buy that from the local grocery store?

Mr. SPRINGFIELD. Right.

Mr. BERGLAND. Would that not cost more than if the Commodity Credit Corporation entered the market and contracted directly with a turkey processor?

Mr. SPRINGFIELD. Well, this is a question which I cannot answer for you today in detail. But we will be, as I have indicated, proposing legislation which will establish this overall cash program which will include this voucher arrangement. In order to get at this question, which is a very real one and a serious one in terms of the school people and the States, we have been doing some further work in terms of what the relative comparisons of costs are between what we have been able to buy recently and what States

and schools have been buying. I do not have that data with me. We will have it when we come back later on to talk about the voucher program and the cash program.

We think at this point, at least, that these numbers are going to indicate that there is not the kind of substantial differences which a lot of people have tended to think is the case, given the current market situation, with prices what they have been.

Mr. BERGLAND. Mr. Chairman, I want to thank the committee for its indulgence. I have exceeded my allotted time and if there is time at the end of questioning, I would like to go back to one other point, section 4(b).

Thank you.

Mr. JONES of Tennessee [presiding]. Mr. Goodling.

Mr. GOODLING. I would like to carry this transportation question a step further.

Do you people consider the transportation costs in the cost of your distribution programs?

Mr. SPRINGFIELD. The cost of transporting the food from where it is produced to the using State is a Federal cost.

Mr. GOODLING. Let me tell you what I have in mind. I have in my Congressional district an excellent processing plant. This meat processing plant was selling frankfurters to all the local schools in that area. I do not know if it was your Department, but somebody in the Department of Agriculture, from the information I have, and I believe it is correct, had some big packer write the specifications and he completely eliminated these little people. To my way of thinking, that is not good business.

Do you agree with that?

Mr. SPRINGFIELD. Let me respond generally to the question. The Department of Agriculture did go out and buy frankfurters this year for delivery to the schools. These specifications were drawn by the people in the Department of Agriculture, not a part of the Food and Nutrition Service, but a part of the Agricultural Marketing Service, which has that kind of responsibility. The value of the frankfurters in terms of the total amount used in schools is a very small percentage, but it apparently did have some effect on some small meat processors.

Now, the specifications were not drawn to exclude them and in fact, we did have a number of relatively small processors participate and supply frankfurters that we bought and delivered to the schools.

But I think in part, what that represents is the kind of problem that we're pointing out here today, that we bought the frankfurters at market prices in order to provide food to schools in line with the commitment which we had, but, you know, these were not surpluses that we were buying because we were supporting the market, we were buying these frankfurters to supply a need to the school.

What we are saying is that that is the kind of thing that we ought to get out of and that we need to get in it to provide the support, but given the current market situation and the food situation, we are better off to go to cash assistance to the schools than we are to try to buy centrally food and then ship it to them.

Mr. GOODLING. I do not know why you should want to eliminate these small packers. They are the lifeblood of every community. They are the people that support the schools. Why should they not be allowed to sell their product?

I realize you people have had some second thoughts on this matter. I have been writing letters to the Department. I may have written to you. I do not recall. They are having some second thoughts.

It does not make sense that if a man can sell his frankfurters 5 miles from his school, that they should be transported out of Philadelphia or Chicago or Boston. That does not make sense to me. I think I am a businessman and I do not do business that way, or I would be broke.

Mr. SPRINGFIELD. Again I think this is in line with our views that rather than have a central procurement function, like frankfurters in this case, we are better off under today's circumstances to provide a comparable amount of cash and let the States and/or local school systems to use that money to buy the remaining 20 percent—they already buy 80 percent of their food—to buy the remaining 20 percent directly rather than have it done for them.

Mr. GOODLING. Another example that just came to my mind and I am sorry the chairman left. I happened to have been home on a nonlegislative day. We had some apples to deliver to a school. I told my son I would deliver the apples. I carried these apples into the refrigerator and believe it or not, there was a great big pile of fruit that had come from either Washington or Oregon.

We were running bad apples breaking out of the seams. We had surplus apples right in Pennsylvania. Yet you people go into the State of Oregon or Washington and bring surplus food into Pennsylvania. That simply does not make sense to me.

This very same year, Virginia had an excess crop and believe it or not, surplus apples were bought in Pennsylvania and shipped into Virginia.

Now, how ridiculous can we become in Government? This is the thing that is costing taxpayers money. I am a taxpayer. I think it is time we did some revision of our thinking.

This meat packing question has me disturbed. If you are going to continue to do that, you are going to have all these little fellows out of business. You have already put practically all my good country butchers out of business and I lived on their meat for a good many years and they give me better meat than most of your big packers do. Yet because of your rules and regulations—I realize we passed the original law, but you people drew up the specifications and you have simply put my people out of business.

At one time, I had more country butchers than any other Congressional district in the entire United States. Today, as I say, they are practically disappearing. And they sell a good product. They are the people I am trying to help.

I guess I have said my speech, Mr. Chairman.

Mr. JONES of Tennessee. Thank you, Mr. Goodling.

I will ask one question, Bob, then get back to you.

Mr. Springfield, I notice in your testimony on the bottom of the page something which we are all aware of, the Federal Government simply does not have access to large surpluses of food at bar-

gain rates, as we did in the past. Of course, we are all aware of this. No one today has access to bargain rates on food. The thing that I really want to ask you is in the continuing testimony that you offered here, you say we need to get out of the commodity business, the Federal Government does, and put it on a local level. But really and truly, aside from relieving the Department of Agriculture of some responsibility, really, why should we make the change? Why should the change actually be made?

Mr. SPRINGFIELD. I think basically for this reason: Over the years, the reason we got in the business was because we had surpluses and we wanted to make the best use of those when the Government bought them either under price support or surplus removal operations. That situation has changed. We do not have the surpluses.

At the same time, schools particularly have come to count on that food as a part of the way they meet the cost of providing lunches to kids. We provide them a fair amount of cash, but they count on these commodities as well.

It seems to us that rather than continue a program which involves, in essence, a duplicate food distribution system—that is, one that duplicates the commercial system—it is better to get out of that business and provide the schools or the States the cash with which we would go out and have to buy the commodities at market prices. It is simply a change in the current situation in an effort to change the way we provide support to these groups to make it more in line with the current situation. I think there are these questions which we will be able to deal with, I think, more effectively, fairly soon in terms of the overall efficiencies.

In other words, the argument has become, well, because the Federal Government is large and because it has access to large markets, we can buy things more cheaply. Well, when you are dealing primarily with surpluses, that probably is true. But when you are going out on the open market, we do not think that is going to be true. We think purchases at the State or local level probably are going to be about as good as we can do at the national level.

So when there are no surpluses to distribute and when States are already buying 80 percent of their food for schools anyway, we think we can provide them with the money which they are now getting from commodities and have a more efficient and more effective system.

Mr. JONES of Tennessee. Do you think it will be as economical to provide them with money to purchase this food in the local markets rather than for the Government to go out and buy the large quantities and then distribute it?

Mr. SPRINGFIELD. Yes, we think it will be. Actually, if that is not the case, you see, then the argument ought to be, well, we ought to increase the share that we are buying. In other words, we ought to go from buying 20 percent of it to 50 percent of it if there is that kind of efficiency involved. We just do not think that is going to turn out to be the case.

Mr. JONES of Tennessee. I have always been a strong advocate of the commodity program. I think it has done a lot of good for this country, not only from the standpoint of getting rid of sur-

plus foods, but they are feeding a lot of people who have always been malnourished. I for one have been an advocate of the commodity program we have had.

Mr. SPRINGFIELD. The Department, particularly on the family side, has not attempted to sell or promote the stamp program compared with the commodity program in past years. Basically, it has been a choice made by State and local Governments as long as there were surpluses available. But again, the surpluses are not there and as I have indicated, Congress recognized that last fall in saying we ought to go to the stamp program by July 1.

Mr. JONES of Tennessee. Part of Congress. Some of Congress. Bob?

Mr. BERGLAND. I must respectfully disagree, Mr. Springfield, with an assumption you outline on the bottom of page one. I think you assume we will never again have surpluses. With that I cannot agree. We currently have bankruptcy in the case of turkeys as I have stated. We may well have it in broilers and other areas as this goes on.

The capacity of the American farmer to produce is almost beyond comprehension. It is subject to ups and downs in prices and we have for years decided as a matter of public policy when we have these depression prices that it is in the public interest to enter the market and buy this food and distribute it, rather than follow the Adam Smith, laissez faire thinking which says, let them go broke and everything will work out.

I do not happen to think that way. I think we have these commodities now and ought to be distributing them and they ought to be viewed as a blessing, not a curse, and used to the fullest extent possible in the development of public policy.

Mr. SPRINGFIELD. I would not want to engage with you in a debate on that because I am not really qualified to do so. What that statement was intended to say is simply that the people who are in the Department of Agriculture who, presumably, are capable of making these kinds of estimates, do not believe that there will be the kind of surplus situations which fostered these programs or generated them in the foreseeable future.

Now, again, as I have indicated, this is not to say that the Department is saying there will never be another surplus. But it is saying that there will not be the kind of surpluses that gave rise to these programs and that therefore, we ought to modify them, but at the same time, recognize that there will probably be some kind of surplus situations and that there will be some kind of mechanism needed to deal with those.

What we are saying is that it need not be and perhaps should not be a mechanism involving the actual purchase and distribution of these surplus items.

Mr. BERGLAND. If I may put on my farmer's hat for a moment, and I presume that you may not feel qualified to answer this, but it would seem to me that if the Commodity Credit Corporation were to enter the market and buy a quantity of turkeys for a distribution program, it would have a significant impact on the market price almost immediately, whereas if this trickles down through the many thousand school systems we have in the United States, the

punch will not be as clearly identified and the market will not respond to it.

Now, I suppose there are those who would argue on that basis, but I suspect that would be true, having some experience in the marketing of these commodities.

I spent 7 years in the Department of Agriculture, and I remember in the early 1960's, there were economists in the Department who were forecasting shortages within the next 3 years. Well, that did happen, but there was a while in which they had the upper hand in policymaking in that place and some of the consequences of those policies were disastrous.

I know you have surpluses now, we had then and we will perhaps always have them and need them.

My question is on the matter in section 6(b) of one of the current bills dealing with paying to each state an amount equal to 62.5 percent of all administrative costs. Then it proceeds to enumerate them.

Mr. SPRINGFIELD. Yes.

Mr. BERGLAND. Now, when you say all administrative costs. I presume that means costs not currently entailed or involved in the program as it is presently operated. Is that correct, sir?

Mr. SPRINGFIELD. Yes, it is.

Mr. BERGLAND. Could you state those changes and what effect you expect it would have on the USDA's budget?

Mr. SPRINGFIELD. I missed the first part of your question.

Mr. BERGLAND. What additions would come under the term "all" that are not currently in this program? What effect would this have on costs?

Mr. SPRINGFIELD. Yes.

Currently, the Department, the Federal Government, matches 62.5 percent of the salaries and related costs of those who certify people for the stamp program. That is, 62.5 percent of the salaries of caseworkers and their supervisors.

Mr. BERGLAND. The outreach function and the rest?

Mr. SPRINGFIELD. The outreach function is currently matched, yes. What this change would do is Federal matching of 62.5 percent of all non-Federal costs and the major area would be the cost of issuance. In other words, as well as having to certify and determine who is eligible. States and counties have to provide a means for actually issuing the stamps periodically, once or twice a month. These costs are currently all non-Federal costs. This would pick up 62.5 percent of those current local and State costs.

We estimate, and it is a very rough estimate because we simply do not have access to these kinds of State and local cost figures, we estimate that this would about double the current Federal matching. We are currently paying out to the States between \$45 and \$50 million for this certification part that I talked about. We estimate that this would at least double that in terms of cost to the Federal Government.

Mr. BERGLAND. Do you know offhand how much of that cost is going to be currently borne by counties?

Mr. SPRINGFIELD. This will vary from State to State. There are some States in which the entire cost of the stamp program, the

State and local costs, are borne out of State appropriations. There are other States in which the entire cost is borne by counties. And there are other States in which there are splits between State and counties. I believe in Minnesota, it is all counties. I am not sure.

Mr. BERGLAND. I believe it is.

Mr. Chairman, I want to thank Mr. Springfield and his associate for coming here today and providing us with the Department view and providing us with some useful information.

Thank you.

Mr. JONES of Tennessee. Thank you, Mr. Springfield and Mr. Damgard for bring the Department's views before us.

The committee will stand adjourned until Tuesday, May 7, 2 p.m. Public witnesses will be heard at that time.

[Whereupon, at 3:30 p.m., the ad hoc subcommittee, recessed to reconvene at 2 p.m., Tuesday, May 7, 1974.]

[Mr. Vigorito submitted the following statement to the subcommittee:]

PREPARED STATEMENT OF HON. JOSEPH P. VIGORITO, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, in February, after learning that the U.S. Department of Agriculture planned to phase out commodity purchases for schools and charitable institutions, I introduced legislation to stop this unwarranted action, by amending the Food Stamp Act of 1964, H.R. 12853.

During the past few months, amid statements from the USDA that they planned to terminate commodity purchases by June 30, 1975, I have received numerous letters from school district directors and administrators of public and private schools, day care centers, family service programs and senior citizens centers asking that the vital commodity purchases be continued.

The comments I received on the announced phase-out were all very similar. Each letter confirmed that the loss of the Commodity Distribution Program for schools and non-profit groups would seriously endanger the quality of nutritional services each school or organization is currently providing. I was told that nutrition will suffer because the loss of government commodity purchases will mean tremendous increases in the costs of food and dairy products used by these school and service groups. One private school administrator flatly told me that the lunch program at his school will be terminated if the proposed phase-out of commodity purchases becomes a reality. The reason given for terminating the lunch program is that the school will not be able to afford buying food on the open market.

I ask the Committee to ponder the fate of the children who would be adversely affected by the curtailment of the commodity distribution program. It is estimated that school lunches sometimes make up 75-100% of the food intake of a needy child each day.

We all realize that hungry children are not healthy children, nor are they happy children—they do not function well physically, educationally or socially.

Beyond the important human needs are the enormous cost differentials which will occur if this program is halted.

Hearings by the Senate Select Committee on Nutrition and Human Needs showed that food costs for school districts and charitable institutions will be significantly higher if they are forced to purchase their own foods. The Commodity program currently distributed \$260 million worth of foodstuffs to the nation's schools, \$20 million worth to institutions and \$1 million to the Red Cross.

Experts have testified that it would cost the schools another \$200 million if they had to purchase food on the open market.

I request this ad-hoc Subcommittee to act at once on this important issue. The Subcommittee should vote favorably to indefinitely extend USDA's authority to purchase food under the Commodity Distribution Program in order to meet government commitments under the National Lunch Act and other existing laws.

The second part of the report is a list of the names of the persons who have been elected to the various offices of the Association for the year 1900. The list is as follows: President, J. H. ... Secretary, ... Treasurer, ... The list continues with the names of the members of the various committees and the names of the persons who have been elected to the various offices of the Association for the year 1900.

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EXTEND COMMODITY FOOD DISTRIBUTION AUTHORITY

TUESDAY, MAY 7, 1974

HOUSE OF REPRESENTATIVES,
AD HOC SUBCOMMITTEE ON LEGISLATION
To EXTEND THE COMMODITY FOOD
DISTRIBUTION AUTHORITY OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:10 p.m., in room 1302, Longworth House Office Building, Hon. Thomas S. Foley (chairman), presiding.

Present: Representatives Foley, Bergland, Wampler, Goodling, and Thone.

Also present: Anita Brown, staff assistant.

Mr. FOLEY. The Ad Hoc Subcommittee on Legislation to Extend the Commodity Food Distribution Authority is now in session.

Our first witness is our distinguished colleague in Congress, Hon. Edward I. Koch, Member of Congress from the State of New York.

Mr. Koch, we welcome you before the subcommittee and look forward to receiving your statement.

STATEMENT OF HON. EDWARD I. KOCH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. KOCH. Thank you, Mr. Chairman. If I may have your permission to do so, I would like to submit my statement for the record and just briefly highlight.

Mr. FOLEY. Without objection, it will be so ordered.

Mr. KOCH. The first thing I would like to say is that under the existing law, the Commodity Credit Corporation provides surplus food commodities to Federal penal and correctional institutions and State correctional institutions for minors. It does permit the use of surplus commodities for other State and local penal institutions. I think that the surplus commodities that are available, whenever they are available, ought to be provided to the State and local penal institutions as well as the Federal.

Just in a very brief way, I can tell you that I have been involved in prison reform and I have been into a number of prisons. The city of New York is not a leader in this area of prison reform. I

(29)

found to my horror that in The Tombs, which is well known in the country as a place where people are kept pending trial, the city of New York spent 71 cents for food for the day, whereas in the D.C. jail, it was \$1.19. My recollection is that the D.C. jail also receives surplus commodities. So it would be very helpful if surplus commodities were made available to State and local penal institutions.

In the city of New York, we have a jail population on an average day of 14,000. Eight thousand are awaiting trial. They have not been convicted of anything; it is just that they cannot raise the bail, so they are sitting there. As of 2 weeks ago when I checked the figure, they were being fed at a cost of 71 cents a day, which clearly indicates the need for assistance in that area.

Second, with respect to the proposal that the Department of Agriculture reimburse school districts now receiving commodities with cash payments, obviously, if that were to become the situation in lieu of the providing of those school districts with food, there would be a diminution of the actual food provided because the local food districts simply could not buy the same amounts locally as the Federal Government can with the same money and therefore, until some formula is devised which would make certain that there was no diminution, I would urge that the school districts be provided with the commodities and not with the cash.

Then lastly, I should like to bring to your attention a deficiency in the Child Nutrition Act of 1966 that needs remedying even though it is not at the moment before you. You know it will be before you at some time. I have taken this matter up with the distinguished chairman of the committee and pointed out a deficiency in the current law, which was partially remedied last year.

The law with respect to providing hot kitchens for schools permitted that the cost would be borne 75 percent by the Government and 25 percent by the school itself. There were many schools that could not provide the 25 percent and therefore, did not have a hot kitchen. And as a result of the pressures, there was a change in the law. Last year, I believe, was the time, when they provided that 25 percent could be waived if there was a showing that the school could not put up the money. But through some strange quirk in the drawing of that law, the situation is that if a school had a cold lunch distribution and wants to put in a hot lunch distribution, which would mean the buying of kitchenware, there was no waiver. If the school never had a lunch program before and wanted to put in a hot lunch, then there could be the waiver.

So you have a situation which exists in my district and particularly affects parochial schools, where they have had cold lunch programs because they could not afford the 25 percent contribution. Now the law is changed so there can be a waiver, but only if they never had a school lunch program before. This makes no sense at all.

The reason I raise it as affecting parochial schools in particular is this, that where you have a public school system, the 25 percent is put up by taxes and they find a way to do it. But where you have a parochial school system entitled under the law to these benefits,

in many cases, it is simply impossible for them to get this 25 percent cash requirement up. Therefore, I would urge that when that particular legislation comes before you again, you remove this odd quirk in the law and treat all school districts the same. Particularly, those that were foresighted and wanted to provide and did provide cold lunches. They should not be penalized for having been ahead of other schools.

Thank you very much, Mr. Chairman.

[The complete statement of Mr. Koch follows:]

PREPARED STATEMENT OF HON. EDWARD I. KOCH, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW YORK

Mr. Chairman, I appreciate the opportunity to testify today on a subject with which I am very concerned. There are few issues that the Congress deals with that are more important than seeing to our children's adequate nutrition. In a nation like ours, there is absolutely no excuse for children, or anyone else, to be hungry or malnourished.

We have made continuous progress since 1968 when the first serious explorations into the scope of hunger and malnutrition in this country were made. Many new and good programs have been enacted. However, the discontinuance of the surplus food commodities program is a sad regression after a period of several progressive years.

The government has been very helpful with the distribution of surplus commodities. The commodities have found their way into school lunch programs, child care centers, orphanages, disaster relief areas, and summer camps for underprivileged children. I believe the beneficiaries of that program should be expanded, and I have proposed legislation (H.R. 660), to that effect. This measure would allow the donation of certain surplus commodities by the Commodity Credit Corporation to state and local penal institutions. We already do this for federal penal and correctional institutions, and state correctional institutions for minors.

Now, the Agriculture Department tells us we no longer have surplus commodities, and has recommended that the surplus commodity programs be terminated at their expiration date, June 30, 1974. I do not have the information available to challenge the Agriculture Department's statements, but because of past Administration actions, I cannot help but be skeptical. The Administration has continually called for a free and open market, insisting on no price controls on food, yet last March, when meat prices were finally dropping, the Administration stepped in and bought millions of dollars worth of meat, to keep prices high. This assistance to agrobusiness is at the expense of the consumer, and serves as a good illustration of the incongruity of Administration actions.

Food prices have risen 21% in the last year. Much of this steep increase is due to poor decisions made by the Administration in the allocation of food resources. The sale of one quarter of our entire annual wheat crop to Russia in 1972 has had a significant impact on food prices. Our problems were compounded by the termination of the U.S. food reserves stockpiled in the commodity stabilization program. These unwise moves represent an assault on the American consumer.

In the face of this incredible inflationary spiral, the Department of Agriculture is proposing to reimburse school districts now receiving commodities with cash payments. This is totally unrealistic. It is obvious that the purchasing power of a local unit cannot be compared to that of the Federal government. According to Mr. Julius Jacobs of New York City's Bureau of School Lunches, New York City schools receive federal surplus foods worth \$3.5 million annually. He estimates that it would cost the city 25% more if it had to replace that supply by making purchases on the open market. The Administration continually talks about the need for local control and power. How are the local and state governments to manipulate their budgets to include these food programs, when costs are increasing and revenues are decreasing?

What is needed is a guarantee that the cash given to the local governments and schools provide equal purchasing power in the marketplace. Until a formula is devised which will guarantee local units equal purchasing power, we need to insure a supply of commodities to those programs through federal purchasing.

Numerous problems are involved with having local units purchase their own food. How can the states develop the expertise for inspection and supervision that the Department of Agriculture has developed over the years? It is unlikely that individual schools will be able to pay for high quality screening and grading.

The USDA has developed a mechanism for timely buying. They can purchase great quantities of food at the lowest prices and store it for gradual use. Few localities have the storage facilities to do this, even if they could get large quantities at low prices.

The termination of the current surplus commodities program would mean chaos for localities, and cause severe hardships to the private charitable institutions, many of which are dependent on the receipt of food for their very survival.

I strongly urge this committee to approve a measure, comparable to S. 2871, which would authorize the continuation of the surplus commodities program, at least until a better plan is devised to assure that American children will not be deprived of low-cost nutritious meals.

I also would like to mention a deficiency in the Child Nutrition Act of 1966 that seriously needs remedying. It appears that under existing law the government will contribute 100% toward the purchase of equipment for hot food programs in schools that have no lunch program at all. But those schools which already have a cold food service are excluded from the 100% government contribution to install a hot food program. This in effect, penalizes a school for having started an earlier program. My bill, H.R. 7155 would amend Section 5 (b) of the Child Nutrition Act to permit the Secretary to waive the 25% local contribution for the cost of any equipment now mandated by law. Many school districts, public and parochial, are unable to afford even the $\frac{1}{4}$ contribution. I hope this injustice will be removed.

Mr. FOLEY. Thank you, Mr. Koch. We appreciate your statement. As you know, there is a jurisdictional problem because of the interest and activities of the Education and Labor Committee in the school lunch program, and of the Agriculture Committee with the use of section 32 funds for the general food stamp and feeding programs. We are attempting to delineate this jurisdiction. The Senate Committee on Agriculture and Forestry, which maintains jurisdiction over school feeding and other feeding programs, has reported two bills: one will come to this committee and the other will go to the Committee on Education and Labor.

The other problem that we are faced with is that the commodity distribution programs came into existence during a time of large agricultural surpluses and their *raison d'être* was to support farm prices more than to provide nutrition programs. We are now in a situation where the food stamp program and several other programs have grown considerably, and in the absence of surplus commodities, we now have to appropriate special funds in order to use the section 32 authority so that the Department can go into the open market and buy these commodities rather than being in a position of having acquired them in the course of operating CCC and other surplus removal programs. These facts present some new policy questions.

Where surplus commodities exist and are available, there is almost unanimous opinion that they should be used for the benefit of needy families, for other special feeding programs and for institutional assistance. However, we have to make some decisions when such programs involve special funding particularly the use of the section 32 authority and whether to extend them into other areas especially institutions where a special point has been made to pro-

vide decent circumstances for those who are only charged with crimes and are being held pending trial. It is certainly a problem for us all.

Again I thank the gentleman as one of the more knowledgeable and active members of Congress in this and other areas. I certainly welcome his appearance here.

Are there any questions?

Mr. BERGLAND. Mr. Chairman?

Mr. FOLEY. Mr. Bergland.

Mr. BERGLAND. I want to compliment our colleague from New York. He is widely recognized in the Congress as the tireless and outspoken advocate of the consumer. I for one join in the view he espouses so effectively.

Mr. Koch, in your prepared statement you quote Mr. Julius Jacobs of the New York City Bureau of School Lunches in which he says that the schools receive about \$3½ million annually and if that were replaced with a voucher program, the cost would rise about 25 percent. It seems to me as taxpayers, we ought to be concerned with maintaining the best program at the lowest possible cost and it is in the interest of the taxpayers as well as in the interest of school children that we maintain these surplus commodity programs.

Mr. KOCH. I am in total accord with your statement, Mr. Bergland. These children must have these lunches and, as you correctly point out through the statement, if the Federal Government does not provide commodities in the form that it has, somehow or other, other monies will have to be raised to the extent of perhaps 25 percent more than would otherwise be the case.

Mr. BERGLAND [presiding]. It is an awfully important point to be taken into consideration.

The gentleman from Washington has temporarily vacated the Chair and asked me to assume that spot for a few minutes.

Are there other questions of our colleague from New York?

[No response.]

Mr. BERGLAND. Mr. Koch, we appreciate your coming here and presenting us with your point of view.

Mr. KOCH. Thank you so much.

Mr. BERGLAND. The next witness is Mr. Pat Healy of the National Milk Producers Federation.

**STATEMENT OF SUSAN FRIDY, LEGISLATIVE REPRESENTATIVE,
NATIONAL MILK PRODUCERS FEDERATION, WASHINGTON, D.C.;
ACCOMPANIED BY NEAL R. BJORNSEN, DIRECTOR, LEGISLATION,
AND LYNN STALBAUM, LEGISLATIVE REPRESENTATIVE**

Ms. FRIDY. Mr. Healy was not able to come up today and I am the best thing he could come up with. I am Susan Fridy, Legislative Representative of the National Milk Producers Federation. I am here in behalf of Mr. Patrick V. Healy, our Secretary.

I am accompanied by Mr. Neal Bjornsen, our director of legislation, and by Mr. Lynn Stalbaum, who is a legislative representative and a former Representative from Wisconsin. The National Milk Producers Federation is a national farm commodity organi-

zation, represents dairy farmers and their cooperative marketing associations throughout the United States.

We have consistently and vigorously supported government food and nutrition programs ever since they were started—not only for dairy commodities—but for all commodities. We have done so because it is good policy to have the American consumer benefit from America's abundant agricultural production. Because we are a dairy organization, our testimony, however, will relate primarily to the purchase and distribution of dairy products by the Department of Agriculture at market prices for distribution to various institutions and activities.

We commend Chairman Poage for appointing this special committee to review this very important matter and you who are on it for having accepted this assignment.

We strongly support those proposals which extend the authority of the Department of Agriculture to make purchases of agricultural commodities at market prices. Not only should this authority be made permanent and the June 30, 1974 termination date repealed, but Congress should direct that its use be made mandatory. To assist producers of all commodities and to strengthen our nutrition programs, the Department of Agriculture should strengthen our nutrition programs, the Department of Agriculture should strengthen their use of the program rather than phasing it out as they have proposed.

In the Food and Agriculture Act of 1965 we urged the adoption of section 709, which reads:

The Secretary of Agriculture is hereby authorized to use funds of the Commodity Credit Corporation to purchase sufficient supplies of dairy products at market prices to meet the requirements of any programs for the schools—other than fluid milk in the case of schools—domestic relief distribution, community action, and such other programs as are authorized by law, when there are insufficient stocks of dairy products in the hands of Commodity Credit Corporation available for these purposes.

Section 4(a) of the Agriculture and Consumer Protection Act of 1973, which contains the termination date now under review by your committee, also covers dairy products.

However, section 709 of the 1965 act is still in force and has no termination date. Therefore, dairy products could still be bought in the open market after July 1, 1974. We support dropping the termination date in section 4(a) and making the authority permanent because we feel the program is so basically sound that other commodities should be treated the same as dairy products.

The commodity purchase and distribution programs have been and should continue to be an integral part of our institutional and school nutrition program.

We are, therefore, concerned at the position of the Department of Agriculture, alluded to at earlier times, and spelled out by Mr. James E. Springfield, Deputy Administrator, Food and Nutritional Service, in his testimony before your committee last Thursday. He has advocated a phasing out of such government commodity purchases by June 30, 1975, replacing it with the food stamp or a cash reimbursement program.

Their authority for such programs should not replace a commodity program, including the authority to purchase in the open market. There are times when a direct purchase and distribution program is the best one to use. Because of this, and the expressed reluctance of the Department of Agriculture to use such a program even if they have the authority, Congress should mandate the continued use of this type of program.

In fact, section 4(a) already shows more specific intent in this regard than does section 709. Commodities under section 4(a) are to be purchased "for donation to maintain the annually programmed level of assistance for schools, domestic relief distribution, and such other domestic food assistance programs as are authorized by law." Implicit in this language is a directive by the Congress to the Department of Agriculture to plan ahead, to provide an on-going program of commodity distribution. Such continuity in programming is desirable, both to those engaged in the operation of such food programs and to those who produce the commodities. This has not been done, either by this or by previous administrations. Such an approach would greatly facilitate planning by the administrators of these programs at all levels.

Mr. Springfield in his testimony has advocated a cash reimbursement program rather than making the commodities available. Section 4(a) indicates that Congress' first preference was to actually distribute commodities. Cash substitution for such commodities would be primarily to maintain equity when commodity distribution is not feasible.

The use of such commodities is an essential part of food assistance programs. Their use in such programs should be considered an integral part of our national food production goals, rather than as a residual use only if we have surpluses. Producers should know, and be able to plan ahead, on what will be used for this purpose. We ask this committee to direct the Department to carry out a policy of such "annual programmed levels of assistance" as was intended in section 4(a) of the 1973 act.

Your committee should give serious thought to the impact of such programs on producers. While Mr. Springfield's remarks were not directed specifically to this point, there seems to be an implication in them that, from the producer's standpoint, all programs are relatively equal provided they move the commodities.

We contend that there are at least two benefits from direct purchase programs for schools and institutions which are not inherent in other commodity programs.

There are times when a market for a commodity is badly depressed that a large government purchase—or even the announcement that one will be made—can have a strong stabilizing effect on the market. We do not believe a similar impact would occur if purchases are made on a small fragmented basis.

We also doubt that programs other than direct purchase can respond quickly enough and with sufficient impact to shore up markets, particularly of commodities of a seasonal nature.

Mr. Springfield's testimony presupposes that we will never again have an overproduction of agricultural commodities. With Ameri-

ca's production potential, there are bound to be times when certain items will be in long supply. Therefore, it would be a short-term fallacy to now terminate the Government's authority to buy commodities or to seek to eliminate the use of commodity distribution programs.

Since 1965, dairy products have been purchased under these programs in 7 of the 9 years, as follows:

Year	Butter	Cheese (in pounds)	Nonfat dry milk
1966	8,703,000	10,820,000	
1967	963,000	4,434,000	
1968			
1969		7,459,000	
1970		13,507,000	
1971		5,309,000	
1972			
1973		2,184,000	20,852,000
1974 (to date)		2,015,000	15,946,000

Ms. FRIDY. Your attention is directed to the substantial purchases made in 1973 and 1974. Obviously, this program is not merely "on the books." It is actively used. It should be continued.

While the most recent dairy commodity purchases have been of cheese and nonfat dry milk, we believe the purchase of butter under this program will soon warrant serious consideration.

The price of butter in Chicago is now down to the price support level. Normally this would move the commodity into CCC hands where it could be distributed without this section 4(a) authority. This year, however, is different. CCC must receive 115 percent of the purchase price (or roughly 68 cents a pound for butter) before the commodity can be resold into commercial channels. This is 9 cents over the butter support level. With this spread the industry will be apprehensive about having butter move into Government hands when it would be difficult to get it back out. Under such circumstances, the Government could move to help the market by directing marketplace purchases of butter for use in these programs.

Cheese is also moving in this direction. Support price is 70 3/4 cents a pound. On May 3, the market was 73 cents; 5 weeks earlier it had been 82 1/2 cents. As the spring flush in dairy production approaches, purchases of cheese, a highly-desired item in these programs, would be beneficial to both consumers and producers.

Two alternatives to existing authority have been suggested—cash payments and food stamps. Both of these are shotgun approaches to situations where more direct and specific action would be better. Cash payments to consumers give no assurance that they money would be spent on food at all. Cash payments with a voucher program to institutions cannot always move quickly enough to respond in alleviating a market where surpluses build up quickly. Food stamps do not permit focusing on those items where the situation, for any reason, is critical. Only a commodity purchase program, properly administered, permits the Department of Agriculture the flexibility necessary to specifically move to meet the problems of a given commodity when its needs are critical.

In summary, it has been our experience that the authority of the Department of Agriculture to purchase commodities at market prices, particularly if it is to "maintain the annually programmed level of assistance" for food programs has been a good one—one which has been consistently used. It should not be terminated. It should be executed permanently and strengthened, by directing the Department of Agriculture to implement it even further.

Mr. BERGLAND. Thank you very much, Miss Fridy.

Ms. FRIDY. Thank you, Mr. Chairman.

Mr. BERGLAND. Are there questions of Miss Fridy or her associates?

Mr. GOODLING. I would like to ask this particular question. You probably do not have an answer for it.

You continue to say that the Congress should direct the Department of Agriculture to do what it should do. Why have a Department of Agriculture if the Congress is going to continually direct it as to what it should do?

Ms. FRIDY. I think you are right. I do not have an answer for that. One of the problems we have had, and I think you have seen it yourself in programs that you are concerned with, is that the Administration does not always necessarily follow out the law where there is an option, where they have an option.

Mr. GOODLING. I am money conscious, as my colleagues know. I am going to pose a question to you and maybe some of the other witnesses might think up an answer in the meantime.

My greatest concern here, and I have said this over and over, is not Watergate, it is not the energy crisis, it is inflation. Inflation is doing more to harm the programs that you are supporting than anything I know of.

I agree with you that this program has value. But my question to you is what do you propose that we continue to use for money? I had occasion to check with the Treasury Department on another matter this morning and I was amazed to find that in the last 27 days, our national debt has risen more than \$2.14 billion. I vote against a lot of good programs that I know in my own heart are good programs, but I want to know where the money is coming from. It is not going to bother me too much anymore, but I have some grandchildren and I do not want to load them down with a millstone of national debt around their necks, but that is what I am doing.

What do you propose we use for money?

Ms. FRIDY. I agree with you that inflation is a problem, but this is not a program that should be cut because of inflation. I think our children's feeding programs is probably one of the most important programs our Government administers because we cannot begin to solve the problems with poverty level people until we have a generation of properly nourished people from the point of conception up through the developmental years. I think this program is one of the most important programs available to try to solve that problem.

Mr. GOODLING. Is not every project the most important project in the entire world to that particular person?

Ms. FRIDY. Well, I guess if it is your pet project.

Mr. GOODLING. I had a call from the provost of my favorite university in the Commonwealth of Pennsylvania. He asked my support for a bill that already passed the House. I informed him that I was one of the few people that took the floor of the House to talk against the darned thing. Then I asked him just what I am asking you. What do you propose to use for money?

He said, you have to establish priorities.

I also informed him that every person's priority should take top priority. It cannot be otherwise.

Ms. FRIDY. Well, people have to eat.

Mr. GOODLING. Well, we have another vote on the floor, Mr. Chairman.

Mr. BERGLAND. We do indeed. We have a quorum call on the Floor at the moment, and the committee will stand in recess for 10 minutes, or until such time as we get back.

[Recess.]

Mr. FOLEY [presiding]. The committee will resume its hearing.

We will hear now from Mr. Vern Carpenter, state director for Iowa School Food Services.

STATEMENT OF VERN CARPENTER, CHIEF, SCHOOL FOOD SERVICES SECTION, IOWA DEPARTMENT OF PUBLIC INSTRUCTION

Mr. CARPENTER. My name is Vern Carpenter and I am state director of school food service programs in Iowa. I am here today not only on behalf of our nation's school children, but also on behalf of day-care center children . . . Head Start children . . . children being fed in settlement houses, churches, and other service institutions . . . in summer camps . . . children of migrant workers . . . senior citizens . . . and persons fed in disaster feeding programs.

I also represent the American School Food Service Association and its 60,000 members comprised of school food service personnel, state school lunch directors, and nutritionists and dietitians.

Mr. Chairman, I wish to thank the committee for the opportunity to testify at this hearing today in support of the extension of this special authority.

On December 5 and 6, 1973, the Midwest State Directors were invited by the U.S.D.A. to attend a meeting in Chicago where it was explained why The Administration was proposing that no government commodities be furnished after June 30, 1974. Apparently, The Administration's desire is to get the USDA out of the commodity business. Similar USDA meetings were held in all regions.

In brief, the explanation given was that few surplus commodities were available and few, if any commodities needed to be price supported. Among other considerations, this caused State Directors to wonder whether to retain their commodity distribution systems within their respective state agencies after June 30, 1974.

Announcing that commodities might not be available after June 30, 1974, may have been part of The Administration's strategy because it was generally understood that even though the law required a complete conversion to Food Stamps by July 1, 1974, this

conversion might not be entirely accomplished by that date. If not accomplished by that date, some commodities would be needed for direct distribution and some for oversea's projects as well.

The question then arose whether the U.S.D.A. had budgeted for commodities in their proposed budget for fiscal year 1975. This information about the budget could not be revealed by the U.S.D.A. to State Directors prior to the time the budget was released, which is understandable.

This proposal threatened a commodity value income of at least $5\frac{1}{2}$ cents per lunch to schools. It seemed that about $11\frac{1}{2}$ cents worth of commodities would be assured under Section 6, but the $5\frac{1}{2}$ cents additional value normally furnished under Sections 32 and 416 was in doubt.

Even though present law provides for cash in lieu of a commodity shortfall it does not provide for the original 7-cents' worth of commodities. The 7-cents worth seems clearly to be the intent of Congress but not law. We would like to see this guaranteed on a performance basis.

After the U.S.D.A.'s proposed budget for 1975 was presented to the Congress, it showed that \$290,000,000 had been recommended for commodities. This amount is \$23.7 million less than for FY 74. The USDA explained that less will be needed because participation will be at a lower rate.

Each year for the past several years we have been trying to get the U.S.D.A. to reveal exactly how much of the amount appropriated for commodities was budgeted for each child nutrition program. It has not been easy to obtain this breakdown.

State Agencies need such a breakdown in order to allocate and distribute these commodities to each participating school or service institution on a fair and equitable basis.

For example, if schools are budgeted 7-cents' worth for each lunch served, this should be known. If service institutions are budgeted a like amount, this should be known. If service institutions are budgeted only 3-cents worth, but receive 7-cents' worth, this reduces the 7-cents' worth school should have received.

Consequently, the amounts presented herein are not presented as exact budget figures. They are, however, the latest figures presented at this writing.

1. An estimated 4,000,000,000 lunches at 7 cents.....	\$280, 000, 000
2. An estimated 275,000,000 breakfasts at 3 cents.....	8, 250, 000
3. An estimated 300,000,000 meals in special food service program for children at .0058 cents.....	1, 750, 000
Total.....	290, 000, 000
4. Summer camps.....	None
5. Senior citizens.....	None
6. Disaster feeding.....	None
7. Home economics classes.....	None

This observation is offered. If service institutions participating in the Special Food Service Program are to receive only about one-half cent's commodity value per meal served, their tenuous financial status will become far more shaky.

As our legislative committee understands it, if funds for commodities would not be budgeted, about $5\frac{1}{2}$ -cents' worth of our 7-cents' worth of commodities would be lost. Likewise, as we view it, there would be no cash in lieu of a shortfall because funds had not been budgeted.

Hence, our recommendation that the law be changed to specify the commodity value for each program on a performance basis.

Another concern is Section 4(a) of Public Law 93-86 which expires June 30, 1974. This gave The Secretary of Agriculture authority to purchase commodities under Section 32 without regard to surplus and to furnish commodities under Section 416 as well. We urge the Committee to extend the provisions of this section of the law.

This school year has been a good commodity year, as we refer to it. For some reason, school administrators and food service personnel voluntarily comment more favorably on the receipt of commodities than the receipt of cash. See Chart No. 1.

Fresh frozen ground beef is being purchased by the USDA at this time for delivery to schools this fall. Pork prices are also depressed. Schools and service institutions could use fresh frozen ground pork to good advantage. It is reported that there is a large amount of frozen turkeys in cold storage.

A chart is attached showing the amount of beef purchased for Iowa's schools for the past several years. Last school year, 1972-73, Iowa's schools received no beef. See Chart No. 2.

This brings up the discussion of shortages or potential food shortages. Rather, the potential shortage of specific food items.

Farm surpluses come and go. Surpluses are seldom where they are needed or they wouldn't be in surplus. Surplus foods must be re-distributed which requires a workable distribution system. A distribution system is essential. The proposed beef purchase of \$45,000,000 would be futile without a distribution system.

We must bear in mind that we no longer have our grain surpluses on hand to fall back on should the need develop in the future. Some have said our nation is only one crop failure away from a serious food shortage.

Another item of concern: The U.S.D.A. has stated that if they can "get out of the commodity business" they would be willing to take the funds they would save through the decrease in commodity administrative costs and add it to the present 7-cent value of commodities.

The U.S.D.A. has tentatively estimated the value of this administrative cost at $\frac{1}{2}$ cent and indications are they are making a more thorough study to determine the exact amount.

When asked, the U.S.D.A. stated their offer was no attempt to save money on their part. In our opinion, it follows that they must believe an additional amount is necessary and justified or it would not have been offered. This 7-cent value has remained stationary for at least three years without taking inflationary costs into consideration.

The U.S.D.A. has verbally agreed to an escalator clause for commodities. The same Cost of Eating Away from Home Index might

be used. This is why we recommend a commodity value for FY 1975 be established at 10.5 cents (the same as the cash payment under Section 4 of NSLP) with the same escalator clause.

CHART NO. 1

STATE OF IOWA, DEPARTMENT OF PUBLIC INSTRUCTION, COMMODITIES ALLOCATED TO THE STATE (AS PER DELIVERY ORDERS AND TRANSFERS) JULY 1, 1973 THRU APRIL 30, 1974 (APPROXIMATE)

Commodity	Unit	Pounds	Value per pound	Value per unit	Total value
Section 6 (schools):					
Beef, ground, frozen, 55 pounds	9,100	500,500	0.9576	52.67	479,279
Chickens, frozen, 30 pounds	32,400	972,000	.4677	14.03	454,604
Frankfurters, frozen, 40 pounds	9,500	380,000	.8188	32.75	311,144
Potatoes, french fries, frozen, 30 pounds	2,000	60,000	.1929	5.79	11,574
Sweet potatoes, syrup, canned, 38.25 pounds	2,600	99,450	.2503	9.57	24,892
Total	55,600	2,011,950	1.6369	123.05	1,281,493
Section 32 and 416 (Schools):					
Beans, baby lima, 25 pounds	3,200	80,000	.2479	6.20	19,832
Beans, green, canned, 38 pounds	3,999	151,962	.1731	6.58	26,305
Beans, green, frozen, 30 pounds	1,875	56,250	.2259	6.78	12,707
Beef, ground, frozen, 55 pounds	7,000	385,000	.8884	54.36	380,534
Butter, print, 32 pounds	27,598	729,536	.6641	17.56	484,485
Butter, print, 35 pounds	28,844	1,038,384	.6641	23.91	689,591
Cornmeal, yellow, 50 pounds	2,126	106,300	.0783	3.94	8,376
Cranberry sauce, jellied, 44.2 pounds	9,799	443,116	.1600	7.24	70,899
Flour, A-P, 50 pounds	48,101	2,405,050	.1178	5.89	283,315
Grapefruit juice, canned, 37.3 pounds	20,000	746,000	.1137	4.24	84,820
Margarine, 30 pounds	24,320	729,600	.4050	12.15	295,488
Oats, rolled, 36 pounds	5,554	199,944	.9069	3.49	19,375
Orange juice, concentrate, frozen, 30 pounds	47,490	1,424,700	.2951	8.85	420,429
Peanut butter, 41.25 pounds	31,510	1,512,480	.3837	18.42	580,339
Pears, canned, 43.5 pounds	8,689	377,972	.2254	9.80	85,195
Plums, purple, canned, 45 pounds	2,800	126,000	.1857	8.35	23,398
Poultry, boned, canned, 43.5 pounds	8,500	369,750	.9860	42.89	364,574
Rice, 50 pounds	3,185	159,250	.2585	12.92	41,166
Salad oil, 46.2 pounds	7,799	360,314	.3259	15.06	117,426
Shortening, vegetable oil, 50 pounds	8,379	418,950	.3135	15.68	131,341
Tomatoes, canned, 38.25 pounds	10,000	382,500	.1786	6.83	68,315
Turkeys, frozen, 43 pounds average	18,336	773,230	.7050	29.73	545,127
Wheat, rolled, 36 pounds	4,160	149,760	.1247	4.49	18,675
Peanut, granules, 21 pounds	1,100	23,100	.5878	12.34	13,578
Total	334,364	13,149,148	1.3639	114.31	4,785,290
Grand total (schools)	389,964	15,161,098	1.4002	115.56	6,066,783

¹ Average.

Note.—Values per pound and per unit were computed by using the average delivery costs per pound for foods purchased for use during the first 3 quarters of the fiscal year 1974 as reported by the USDA.

CHART NO. 2

BEEF PRODUCTS RECEIVED BY IOWA SCHOOL FOOD SERVICE YEARS 1962-74, SUMMARY OF ALL BEEF COMMODITIES

Year:	Units	Pounds	Value
1973-74	16,100	885,500	\$859,813.00
1972-73	None	None	None
1971-72	16,650	884,500	621,775.00
1970-71	16,787	923,285	590,902.00
1969-70	39,200	2,156,000	1,271,040.00
1968-69	23,600	1,298,000	765,820.00
1967-68	24,170	1,270,735	854,640.00
1966-67	30,178	1,490,051	897,256.00
1965-66	27,070	1,396,097	608,919.88
1964-65	50,935	2,777,411.75	1,665,542.20
1963-64	20,932	1,155,529	546,280.40
1962-63	10,185	567,038	226,815.20

CHART NO. 3

TYPE A LUNCH COST, JULY 1, 1973 TO DECEMBER 31, 1973, STATEWIDE

	Cents per lunch	
Expenditures from school lunch funds:		
Food	\$11,429,351.10	35.20
Labor	5,799,087.26	17.86
Other	1,381,938.42	4.26
Total	18,610,376.78	57.32
Estimated value of noncash expenditures	4,222,652.01	13.00
Total expenditures	22,833,028.79	70.32
Less:		
Extra milk costs	750,192.31	2.31
School breakfast cost	106,877.86	.33
Estimated a la carte costs	311,718.80	.96
Total unallowable costs	1,168,788.97	3.60
Total type A lunch expenditures	21,664,239.82	
Total type A lunches served:		
Children type A lunches	30,676,781	
Adults type A lunches	1,893,927	
Total type A lunches	32,470,708	
Type A lunch cost without government commodities (cents)	66.72	
Total cost of preparing and serving serving type A lunch (cents)	66.72	
Indirect (cents)	-13.00	
Direct (cents)	53.72	

IOWA TYPE A LUNCH COST, JULY 1, 1973 TO DEC. 31, 1973, STATE WIDE AVERAGE

	Total	Less extra milk	Less school breakfast	Less estimate a la carte	Type A lunch expenditures	Cost (cents) (32,470,708 lunches)
Food	\$11,429,351.10	\$750,192.31	\$68,163.13	\$311,718.80	\$10,299,276.86	31.72
Labor	5,799,087.26		34,024.09		5,765,063.17	17.75
Other	1,381,938.42		4,690.64		1,377,247.78	4.25
Total	18,610,376.78	750,192.31	106,877.86	311,718.80	17,441,587.81	53.72
Noncash expenditures	4,222,652.01				4,222,652.01	13.00
Total	22,833,028.79	750,192.31	106,877.86	311,718.80	21,664,239.82	66.72

[In cents]

	Comparison			
	School period July 1972 to Dec. 1972	School period July 1973 to Dec. 1973	Cents increased or decrease	Percent income or decrease
Food	26.42	31.72	+5.30	+20.1
Labor	16.79	17.75	+.96	+5.7
Other	3.92	4.25	+.33	+8.4
Total	47.13	53.72	+6.59	+14.0
Noncash expenditures	12.64	13.00	+.36	+2.8
Total	59.77	66.72	+6.95	+11.6

We believe it would be advisable to consider a similar proviso for the breakfast program and the special food service program.

This would make the total Federal cash reimbursement and commodity value for a free lunch to be:

	<i>Cents</i>
Section 4 (cash)-----	10. 5
Section 11 (cash)-----	47. 25
Total cash-----	57. 75
In commodities-----	10. 5
Total Federal contribution for free lunch-----	68. 25

The amount of State cash reimbursement must be added to the 57.75 cents Federal cash. In Iowa this amount of State reimbursement is .0075 cents plus 3.36 cents. All totaled this would be 61.86 cents. Practically all schools will be able to justify receiving this 61.86 cents. [See chart No. 3.]

For the period July 1, 1973 through December 31, 1973, Iowa's statewide average lunch cost was 66.72 cents in addition to commodities used. Federal regulations contain the provision that a school cannot be reimbursed more for a lunch than the total cost of preparing and serving the lunch. Iowa's local schools contributed about 13 cents per lunch making a total state and local contribution of .1711 cents per free lunch.

At the end of my statement you will find all of the above charts as well as the following:

- a. Number of school districts serving reduced price meals [chart No. 4].
- b. Increase in reduced-price meals served during this school year [chart No. 5].
- c. Iowa's average daily participation—July 1, 1973 through December 31, 1973 [chart No. 6].
- d. Enrollment of Iowa's public schools, 1973-74 school year [chart No. 7].
- e. Comparison by percentage of value of USDA commodities. This reveals increases in prices of food items [chart No. 8].
- f. Average student lunch price for Iowa, 1973-74 school year [chart No. 9].

Our association does not consider child nutrition programs to be welfare programs. We believe these programs should be considered as directly benefiting children although certainly parents benefit indirectly. These programs are an example of how the taxpayer's dollar directly benefits children. A person only needs to observe a child eating lunch at school to realize his taxes were spent for a worthy cause. We hope the child nutrition programs are not transferred from the USDA.

I have data with me concerning reduced-price lunches, attendance, food costs, and the like which I would be happy to present if you desire and if time permits.

I would be happy to answer any questions.

Chart No. 4

Iowa

September 1973:	
Number of school districts serving both free and reduced-price meals.....	296
Number of school districts serving free meals but not reduced-price meals	167
January 1974:	
Number of school districts serving both free and reduced-price meals.....	312
Number of school districts serving free meals but not reduced-price meals	151
Number of districts that started serving reduced-price meals after 175 percent change become effective Jan. 1, 1974.....	16

During the 1972-73 school year, all school districts served both free and reduced-price meals.

CHART NO. 5

IOWA FREE LUNCHES, AVERAGE DAILY FREE LUNCHES

Month	School year 1972-73	School year 1973-74	Decrease per day	Percent decrease per day
September.....	53,675	53,065	-610	-1.14
October.....	60,304	57,318	-2,986	-4.95
November.....	60,049	57,365	-2,684	-4.47
December.....	59,927	57,115	-2,812	-4.69
January.....	60,539	57,213	-3,326	-5.49
February.....	61,764	56,106	-5,658	-9.16
March.....	61,795	58,565	-3,230	-5.23

REDUCED-PRICE LUNCHES, AVERAGE DAILY REDUCED-PRICE LUNCHES

Month	School year 1972-73	School year 1973-74	Increase or decrease per day	Percent increase or decrease per day
September.....	2,192	2,085	-107	-4.88
October.....	2,138	2,865	+727	+34.00
November.....	2,210	2,914	+704	+31.86
December.....	2,195	2,891	+696	+31.71
January.....	2,163	3,049	+886	+40.96
February.....	1,811	3,185	+1,374	+75.87
March.....	1,930	3,344	+1,414	+73.26

CHART NO. 6

IOWA AVERAGE DAILY PARTICIPATION, PERCENT OF AVERAGE DAILY ATTENDANCE

	July 1, 1972 through Dec. 31, 1972 percent	July 1, 1973 through Dec. 31, 1972 percent	Percent increase- decrease
Senior high schools.....	52.82	54.00	+2.18
Junior-senior high schools.....	77.16	76.20	-1.26
Junior high schools.....	74.32	75.60	+1.69
Elementary schools.....	71.80	70.02	-2.54
Special education schools.....	83.50	79.13	-5.55
K-12 Schools.....	81.42	70.84	-7.22
Total.....	70.29	69.79	-.72

Note.—The above chart shows that average daily participation (so far this year):

1. Increased in senior high schools from 52.82 percent up to 54 percent equal plus 2.18 percent.
2. Decreased in junior-senior high schools 77.16 percent down to 76.20 percent equal minus 1.26 percent.
3. Increased in junior high schools 74.32 up to 75.60 percent equal plus 1.69 percent.
4. Decreased appreciably in elementary schools 71.80 percent down to 70.02 percent equal minus 2.54 percent.
5. Overall participation decreased minus .72 percent.

Considering this in its entirety, it is not too severe because a number of schools increased their lunch prices last fall. Conversely, it held up this well because the large percentage of schools did not increase student lunch prices.

During last school year student lunch prices averaged 37.92 cents compared to 41.65 cents for this school year (up 3.73 cents).

Student participation for the month of December, 1973, however, was at an all time high of 70.94 percent. Student participation for February dropped sharply because of a high rate of incidence of influenza throughout the state.

Chart No. 7

Iowa's nonpublic school enrollment

	Schools
1,000 or more	5
500 to 1,000	26
300 to 500	35
200 to 300	40
100 to 200	85
0 to 100	76
Total	267

Iowa's public school district enrollment

	School districts
100 to 200	5
200 to 300	25
300 to 500	106
500 to 750	100
750 to 1,000	77
1,000 to 1,500	51
1,500 to 2,000	27
2,000 to 3,000	31
3,000 up	29
Total	451

Only 7 school districts have an enrollment above 10,000.

CHART NO. 8

COMPARISON BY PERCENTAGE OF VALUE FOR USDA COMMODITIES

Commodity	1972-73 value per unit	1973-74 average value per unit	Percentage difference
Applesauce, 40.5 pounds	\$6.88	\$10.59	54
Apples, sliced, 36 pounds	9.36	15.00	60
Apricots, canned, 40 pounds	11.20	12.07	8
Apples, fresh 40 pounds	6.00	9.55	59
Beans, red kidney, 50 pounds	9.00	24.80	176
Beans, red kidney 100 pounds	17.00	46.64	124
Beans, baby lima, 50 pounds	11.00	21.43	95
Beans, great northern, 50 pounds	10.00	24.45	145
Beans, dry pea, 100 pounds	20.00	61.03	205
Beans, dry pea, 50 pounds	10.00	31.10	211
Beans, green canned, 38 pounds	6.84	7.44	9
Beans, frozen, 30 pounds	6.92	8.73	26
Beans, dry pinto, 50 pounds	8.50	21.00	147
Beans, dry pinto, 100 pounds	16.41	42.33	158
Beef, ground frozen, 55 pounds	46.75	58.30	25
Butter, print, 32 pounds	27.20	28.48	5
Butter, print, 30 pounds	25.50	26.70	5
Butter, print, 36 pounds	30.60	32.04	5
Beef, patties frozen, 30 pounds	30.00	36.38	21

CHART NO. 8

COMPARISON BY PERCENTAGE OF VALUE FOR USDA COMMODITIES—Continued

Commodity	1972-73 value per unit	1973-74 average value per unit	Percentage difference
Beef, in natural juice, 43.5 pounds	\$46.55	\$60.95	31
Cheese, natural cheddar, 42 pounds	33.18	51.38	55
Cheese, processed, 30 pounds	24.00	33.18	38
Cherries, red pitted, 40 pounds	10.24	18.68	82
Corn, canned 39.75 pounds	6.36	7.30	15
Cornmeal, yellow, 50 pounds	6.00	7.02	17
Chicken, frozen, 30 pounds	11.10	11.70	5
Corn, canned, 24 pounds	4.34	5.50	27
Cranberries, fresh, 28 pounds	5.95	7.75	30
Cranberry sauce, 44.2 pounds		10.67	
Eggs, dried, 18 pounds	17.64	38.35	117
Flour, all purpose, 50 pounds	4.50	7.36	64
Fruit cocktail, 41.4 pounds	7.85	11.47	46
Grapefruit sections, 37.5 pounds	12.00	10.95	-9
Grapefruit juice, 40 pounds	4.70	6.05	29
Grape juice, 38.6 pounds	8.88	11.93	34
Honey, processed, 30 pounds	16.16	25.15	56
Meat, luncheon, 45 pounds	36.00	44.70	24
Milk, dry, 54 pounds	32.40	41.07	27
Margarine, 30 pounds	4.98	11.55	132
Oats, rolled, 36 pounds	7.92	6.95	-12
Olives, ripe, 19.5 pounds	14.83	19.02	28
Orange juice, frozen, 30 pounds	12.00	11.98	0
Peaches, canned, 40 pounds	9.20	10.12	10
Peanut butter, 41.25 pounds	17.74	26.00	47
Pears, canned, 40 pounds	10.00	11.90	19
Peas, green, 40 pounds	6.55	8.00	22
Plums, purple, 41.4 pounds	7.07	9.58	36
Peas, dry split, 50 pounds	7.50	27.90	272
Peanut butter, 48 pounds	20.64	30.24	47
Pineapple, canned, 41.4 pounds	9.95	11.15	12
Pears, fresh D'Anjou, 45 pounds	7.75	10.80	39
Potatoes, French fries, 30 pounds	6.00	14.20	137
Potatoes, dehydrated, 15 pounds	7.50	7.80	4
Peas, canned, 24 pounds	5.11	6.32	24
Poultry, canned boned, 43.5 pounds	45.24	83.37	84
Raisins, 48 pounds	28.80	31.68	10
Rice, 50 pounds	9.00	24.68	174
Salad oil, 46.2 pounds	13.86	25.32	83
Shortening vegetable oil, 36 pounds	12.96	23.61	82
Sweet potatoes, dehydrated, 23.25 pounds	17.90	24.70	38
Sweet potatoes, syrup, 38.25 pounds	7.65	12.53	64
Tomatoes, canned, 38.25 pounds	7.91	8.52	13
Tomato, paste, 41.62 pounds	10.67	13.23	24
Turkeys, frozen, 43 pounds	18.92	28.81	52
Shortening, vegetable oil, 50 pounds	11.50	21.18	84
Wheat, rolled, 36 pounds	8.64	18.80	118
Frankfurters (71 cents per pound)		28.40	

Note.—Value per unit was computed by obtaining wholesale prices from the wholesalers located in Des Moines and taking an average of the three.

IOWA COMMODITIES FOR PUBLIC SCHOOLS

School year	Commodity value	Cash in lieu of shortfall	Total commodities	Lunches and breakfasts served	Commodity value per lunch (cents)
1970-71	\$6,089,361		\$6,089,361	67,820,173	8.98
1971-72	6,788,801		6,788,801	70,491,257	9.63
1972-73	4,988,588	\$1,187,232	6,175,820	70,364,883	8.78
1973-74 (projected)	5,308,179		5,308,179	70,681,478	7.51

CHART NO. 9

IOWA STUDENT LUNCH PRICE

March 1974 average lunch price (cents).....	41.63
School year 1972-73 average lunch price (cents).....	37.92
Increase (cents).....	+3.71
Increase (percent).....	+9.78

Student lunch price	Number of districts	Number of buildings
30 cents.....	8	38
35 cents.....	86	251
40 cents.....	246	679
45 cents.....	55	500
50 cents.....	31	153

Note.—All student lunch prices are not shown such as 37 cents, etc.—just those most typical.

Mr. FOLEY. Thank you very much, Mr. Carpenter. We are happy to have the additional statistical information for the record and the files so we may study them.

Are there any questions for Mr. Carpenter?

Mr. BERGLAND. Mr. Chairman, I have one. Mr. Carpenter, I notice in your statement, you say for some reason, school administrators and food personnel comment more favorably upon receiving commodities than cash?

Mr. CARPENTER. Yes, sir, they do.

Mr. BERGLAND. What sort of comments do you hear? Why so?

Mr. CARPENTER. I cannot explain them, sir. It is true. For example, as you probably are aware, under section 4, which is the general cash payment on all lunches, there was a retroactive payment made in February. In February, we sent out a check that was retroactive through July 1. At the same time, the real fine commodity release went out. I cannot explain it, but we received more favorable comments about the quantity and quality of the commodities than we did on the fact that they got that nice payment as retroactive payment. I cannot explain it. But they do like the commodities, the quality, and of course, it has been most helpful that we have been able that certain of these items have been in unlimited supply and we have encouraged, as every State has—I am sure your State has, too—encouraged them to bake all bread products, including loaf bread, biscuits, buns, hamburger buns, wiener buns, and the like. Of course, this means that they could get more flour by asking for it, more shortening, more lard, and what they need for those purposes.

Specifically, though, they do comment favorably on the commodities. They look for meats. Whenever a commodity release goes out, they are anxious to know, what meat are we getting, particularly red meat.

Mr. BERGLAND. I appreciate your coming here and presenting this committee with very important information.

Thank you.

Mr. THONE. Mr. Carpenter, just one thought here. I think you have already answered it, but you indicated that you thought the beef purchase of 45 million was a good thing.

Mr. CARPENTER. Yes sir.

Mr. THONE. You do not agree with one of our colleagues in the House here who said "It was an outrage against the nation's shoppers."

Mr. CARPENTER. No, I do not. I do not present myself as an expert nor an economist, much less a farm economist. We do have, though, certain peaks and valleys in beef prices or anything else. At this particular time that the beef was purchased, the heavier beef, 1,150 and 1,200 that have been fed and held in the feedlots for some time, was in surplus. I am not positive, but I believe that the price of beef has declined since that purchase and of course, this purchase has not been completed, because as you are aware, they purchase so much by announcement every week or every 2 weeks. So we were very pleased to see this beef purchased.

And of course, there was some—I read the comment in a newspaper stating that this is going to cause the beef prices to go up. However, what the USDA was trying to do was to remove, as you are well aware, trying to remove that particular surplus. Now, to send out a voucher, as the USDA might propose, to send out a voucher to all schools to purchase beef, they would, some of them, would have purchased beef with 10 percent TV Fed, 20 percent, 30 percent. Some schools might have purchased half ground beef and half ground pork for use in hamburger.

This \$45 million was designed to remove that particular surplus of beef, which was in surplus. There was a lot of it, as you are aware. And of course, when this happens, and I am sure you are aware from your State, sir, that when this happens and the prices go down, this means that some farmers are going to cut back on their herd for next year. Others are going to get out of it entirely, out of beef producing.

This means then that we will have an upswing in prices and we will have a shortage. So there are the peaks and valleys in the market.

Mr. THONE. Thank you. That is a good answer.

Mr. FOLEY. Our next witness will be Mr. Earl Old Person of the Blackfeet Tribal Business Council, Browning, Mont.

Is Mr. Old Person here?

[No response.]

Mr. FOLEY. If not, the next witness will be Mr. Gilbert Glenn, deputy director of Community Action, Crow Tribe of Montana, Crow Agency, Mont.

Mr. Glenn, would you introduce your associate?

STATEMENT OF GILBERT GLENN, DEPUTY DIRECTOR, COMMUNITY ACTION PROGRAM, CROW TRIBE OF MONTANA, CROW AGENCY, MONT.; ACCOMPANIED BY MELVIN WHITE EAGLE, STANDING ROCK SIOUX

Mr. GLENN. Yes, first of all, Mr. Chairman, if I may, my statement is a cover statement. It is kind of short, so I would like to, if possible, read it; then Mr. Melvin White Eagle, chairman of the Standing Rock Sioux Tribe, would like to testify, too.

Mr. FOLEY. We will be pleased to hear from Chairman White Eagle.

Mr. GLENN. Gentlemen, my name is Gilbert T. Glenn, and I am the deputy director of the Crow Tribal Community Action Program of the Crow Tribe of Indians of Montana. I am appearing here representing the Crow Tribe of Indians of Montana.

I have been instructed by my Tribe to support legislation which would provide for the ultimate administration of the food stamp program by the Crow Tribe, after the tribe has had the chance to set up the administration procedures. We believe that this will take about a year, and for this reason, we request that the present commodity program be continued until the food stamp program can be phased into operation.

We conducted a survey of a representative group of the membership of the tribe, a copy of which is attached to this statement. From it, you will note that the people overwhelmingly voted in favor of tribal administration of the program. The Big Horn County Welfare Department is part of the State Government of Montana, and is not close to the needs and wishes of the Indian people. The tribe has been the local government to which our Indian people have turned for generations, and this is becoming more true in these days of Federal governmental policies of tribal self-determination. The non-Indians who administer the State welfare programs look upon the Indian people as Federal charges, and tell the members of the tribe to go to the Bureau of Indian Affairs for services when called upon, and do not respond to the needs of the Crow people.

With these things in mind, we respectfully request that you give favorable consideration to legislation which would provide the food stamp program for Indian people on the basis of tribal administration after a reasonable period has elapsed for administration to be set up during which time we request that the present commodity program be continued. Thank you.

[The above referred to attachment follows:]

RESULTS OF FOOD/STAMP COMMODITY SURVEY, FEBRUARY 1974

(Prepared by Crow Tribe Adult Education Program)

Recently, the Crow Tribe Adult Education Program conducted a survey among tribal members to determine which organization should administer a food stamp program or a commodity program. The results of the random sample openly

reflected the opinion of tribal members about the capability of various agencies to administer the Food Stamp Program. The results were very decisive.

Question 1. The First question asked was:

Now that the Commodity Program has ended, it is likely that the Food Stamp Program will replace it. In your opinion, which of the following agencies could best handle a Food Stamp Program.

People were asked to chose a first choice, second, choice, and third choice among a list of agencies that seemed likely candidates to administer the Food Stamp Program. Also a space for *OTHER* was provided. In addition, the question, "Why is your choice best?" was asked. Sample of the questionnaire follows:

Mark : 1st choice, 2nd choice, 3rd choice

----- Crow Tribe ----- Big Horn County Welfare
----- Emergency Foods ----- B.I.A. Social Services
----- Other (Describe)-----

Why is your choice best?-----

RESULTS OF QUESTION 1

	1st choice	2d choice	3d choice
Crow Tribe.....	67	17	7
Emergency foods.....	38	38	5
BIA social services.....	20	10	0
Big Horn County welfare.....	3	0	2
Other.....	3	1	11

Notes about computations:

Many people expressed only one choice by simply marking "X". Others placed an "X" in the spaces provided for two or more agencies. In any case, these marks were recorded as a first choice by that person since there was no apparent preference given to either agency marked. The marks, however, were not discarded because there was an obvious distinction among agency preferred to those opposed.

There was a total of one hundred and eight people polled.

Conclusions:

The results of the survey indicate overwhelmingly that the Crow Tribe or a Program controlled by the Tribe, such as Emergency Foods, is favored. While the Tribe as a first choice is nearly a 2 to 1 favorite over the Emergency Foods Program, the Emergency Food Program is well over 2 to 1 favorite to the B.I.A. Social Services Office. By comparison, Tribal Programs (Crow Tribe and Emergency Foods) are preferred 6 to 1 over all other programs listed. To say the least, Big Horn County Welfare with only three votes for 1st choice was decidedly the agency least preferred by Tribal Members.

Second choice selections strongly indicate that tribally controlled programs are favored (5 to 1) compared to those programs not directly controlled by the Crow Tribe. Again, there is a definite indication that Big Horn County Welfare is not preferred.

Third choice results show that B.I.A. Social Services office strongly dominating by nearly 3 to 1 over the next nearest group which was "other." Again, the County Welfare Office scored low with only two votes as a third choice.

Summary of Data:

This data indicates that the Crow Tribe is strongly favored as a first choice and that the Tribally controlled program, Emergency Foods, is a strong second choice and finally that the B.I.A. is a strong third choice. If a fourth and fifth choice were revealed, the results are that the catagory "Other" (new programs, district workers, etc.) places equal to or well ahead of Big Horn County Welfare.

The second portion of the questions essentially asked "why?" In response there were six repetative answers. In no particular order, they were (1) the Tribe is more aware of the need of tribal members than any other agency, (2) transportation is a problem—the tribal members can obtain ride to Crow—the Tribe will diversify the program, (3) any operation located off reservation will not serve the Reservation, (4) compared to the Tribe, other agencies have "too

much red tape," (5) the Tribe has had more previous experiences handling programs and has handled them better than any other group, (6) and "Crows should handle Crow programs and problems."

Question 2. The second question asked :

If you had a choice, would you rather have a Food Stamp Program or a Commodity Program with a greater variety of Food?

Mark one:

----- Food stamp

----- Commodity

The results were 77 people favored Food Stamps and 31 people favored the Commodity Program. Essentially a Food Stamp Program is a 2.5 to 1 favorite over a Commodity Program.

Examination of the second part of the question "why?" indicates that many people did not understand the question well. That examination reveals most of the people felt they were asked to choose whether they wanted Food Stamps or Commodities. Respondents indicated a strong preference for Food Stamps primarily because there existed an opportunity for a greater choice of foods, thus one could have a better diet. In addition, it was very important to be able to obtain what one needs, compared to a commodity program offering only certain items without regard to need. In general, people desiring Food Stamps wanted better quality and greater variety of food. Those preferring commodities seemed to base their decision on mistrust of people handling Food Stamps, the fact that they would have to pay some of the cost difference in cash, the knowledge that some stores on the Reservation will not accept Food Stamps, and finally that those eligible for commodities may be determined ineligible for Food Stamps.

Conclusion :

Even given the confusion with the second question, many feelings surfaced. People want a greater variety of food and prefer to make decisions concerning what foods will make up their diet. Given the 2 to 1 margin of Food Stamps over Commodities, it would appear that there is a general dissatisfaction with the Commodity Program. Relating that to the first question, it is likely that the dissatisfaction is not as much with the administration but more with the actual availability of food.

In short, this survey indicates that people strongly favor the Crow Tribe administering a Food Stamp Program. It also demonstrates that Tribal Members do not wish to have the Big Horn County Welfare Program involved.

Mr. FOLEY. Thank you, Mr. Glenn.

Mr. White Eagle, we will be very happy to have your testimony.

Mr. WHITE EAGLE. Thank you very much, Mr. Chairman. My name is Melvin White Eagle, I am chairman of the Standing Rock Sioux Tribe, North Dakota and South Dakota.

The Standing Rock Indian would prefer that the food stamp program be run for the tribe or by the tribe in cooperation with the local Indian agency. Other tribes may wish to work through the Secretary of the Interior. This would be of great help to the reservation Indians and would not cost the United States very much additional money.

Tribal administration will be a help because reservation Indians are not accustomed to dealing with State officials and often are embarrassed and unwilling to appear before them.

Also, it is a hardship for Indians to get to a town or city where the State locates its office, usually off the reservation. We have no public transportation system at Standing Rock. Our reservation is 150 miles north and south and 75 miles east and west. It is not easy for poor Indians to get to the State offices. Many never make it and they and their families suffer unnecessarily.

Tribes could make the food stamp program work for reservation Indians. This is so because we know our own people and would

have no difficulty in handling the program. Right now, tribal and agency records show the name, address, age, education, and income of almost every Indian on the reservation. The agency social service personnel could determine eligibility with small expense and little inconvenience to the Indians. This is a major item of expense to the United States and the State when performed by State personnel.

Once eligibility is determined, the program would be administered through the tribe's credit office or its finance office. We would set up screening places on the reservation for Indians to get their stamps. Old people who do not speak English well would be taken care of. We would educate reservation Indians to the advances of the program, teach them how to buy with stamps, and make things convenient for the reservation Indians to participate in the program.

Now, a word about surplus commodities. Our Indians depend on them. Until the food stamp program goes into operation and our people are educated to the use of food stamps, we must have the surplus commodities continue at least 2 more years of surplus commodities are needed.

Thank you very much.

Mr. FOLEY. Thank you, Mr. White Eagle.

Are there any questions of Mr. Glenn or Chairman White Eagle?

Mr. BERGLAND. Mr. Chairman, if I might ask Chairman White Eagle a question.

How is the food stamp program administered among the people that you represent? Is there some sort of an outreach or extension program, whereby your people can have access to these services, or are they compelled to drive great distances?

Mr. WHITE EAGLE. Like I mentioned, we are compelled to drive some distance to the stamp issuing office in the South Dakota portion of our reservation.

Mr. BERGLAND. Is that located within a county seat?

Mr. WHITE EAGLE. It is located off the reservation in another county. The South Dakota portion of my reservation is situated in one county. The office is located in the next county off the reservation.

Mr. BERGLAND. How far away is that?

Mr. WHITE EAGLE. Sixty to 70 miles.

Mr. BERGLAND. What about the elderly folks that have no means of getting around? How do they apply for this assistance?

Mr. WHITE EAGLE. There is just no way for them to get to the office so they do not get any food stamps.

Mr. BERGLAND. Thank you very much.

Thank you, Mr. Chairman.

Mr. FOLEY. Any additional questions?

[No response.]

Mr. FOLEY. If not, Mr. Glenn and Chairman White Eagle, we appreciate your statement. The entire statement of Mr. Glenn will be included in the record.

Thank you very much.

Mr. GLENN. Thank you.

Mr. FOLEY. The final witness of this afternoon is Ms. Gail Huecker, commissioner, Bureau for Social Insurance, Department of Human Resources of the State of Kentucky.

Mr. BERGLAND. Mr. Chairman, Ms. Judy Davison whose name does not appear on the agenda is here today and if there is time, I will ask that we receive her statement.

Mr. FOLEY. I will recognize the gentleman for that purpose.

[Ms. Davison's testimony appears beginning p. 60.]

STATEMENT OF GAIL S. HUECKER, COMMISSIONER, BUREAU FOR SOCIAL INSURANCE, DEPARTMENT FOR HUMAN RESOURCES, STATE OF KENTUCKY

Ms. HUECKER. I am representing Chairman Laurel True, who is chairman of the Department within the Commonwealth and I am responsible for the administration of the grant programs and the food stamp programs specifically. The presentation I am making was prepared for Mr. True and he was unable to be here. That is the reason for my presenting the remarks.

We appreciate the opportunity to speak in favor of House Bill 12168, the companion bill being S. 2871, which will permit the Agriculture Secretary's authority to be extended to purchase food commodities in support of food programs in schools, institutions and certain day care centers. It will also provide Federal financial participation at 62.5 percent in administrative costs of operating food stamp programs.

I should like to point out that one page was left out. I want to list three actions that I believe the Congress must take if the States are to be able to administer an effective, economical, and accurate food stamp program for the thousands of people in need of food and nutrition assistance throughout the United States. The three changes needed in the food stamp program are:

1. Adequate Federal matching moneys for administrative costs.
2. Application of the Federal matching ratio to all administrative costs associated with the program.
3. Simplification of eligibility and issuance procedures so that the food stamp program can be more effective.

An adequate Federal matching ratio is necessary because, in recent years, food stamp program participation has grown drastically. With the growth, administrative costs associated with the program have grown out of proportion to the ability of the States to provide adequate financial support. Also, most of these administrative costs faced by the States are the direct result of actions by the Federal Government that liberalize food stamp regulations.

At the present time the Federal Government is only providing Kentucky less than 25 percent of the program's total administrative costs. This is a direct result of Federal refusal to pay: Any issuance costs; data processing costs; and other administrative costs associated with the program that are in addition to the eligibility determination costs, which receive Federal support.

Federal support of the eligibility and total issuance process is essential if we are to have a low error rate.

By USDA creating this complex eligibility process, we guarantee that many people will be charged an inappropriate amount for their food stamps and that many people who need food stamps will not apply because of the complex system which we now have. With the complex procedure now in operation, the process is both unfair to the recipient and also very difficult to justify to the taxpayer and the general public. The high error rates prove that we now provide food stamps to ineligible and turn away some truly needy people. You will find in the back of the statement some supportive evidence to the statement just made.

In a letter to Senator McGovern, Mr. Wilbur J. Schmidt, secretary, Department of Health and Social Services for the State of Wisconsin, made the following comments, I quote:

There appears to be no Federal action necessary to facilitate the transition from the commodity program to the food stamp program in our State. However, we feel that much could be done to coordinate eligibility determination for all Federal public welfare programs. Administration and information gathering would be facilitated by standardization of income and resource definitions for the AFDC, medical assistance, and the food stamp program. Without such standardization, eligibility determination for food stamps is absolutely onerous administratively. We have attempted to secure USDA's cooperation in assisting us to make the program work better and easier for everyone involved, but they have rejected our plan, claiming that "Federal regulations" would not allow such progressiveness. Wisconsin is convinced that the previous experience of public assistance program should be enough evidence to deter USDA from attempting to make eligibility determination difficult and, subsequently a roadblock to eligible people utilizing the program. All that you really accomplish by such a course of action is large scale error in the entire process and a subsequent destruction of public confidence in the program.

Secretary Schmidt has made a very important point in that we need standards of eligibility for all assistance programs. Attached to this paper is a quality control report for the food stamp program from the State of Kentucky. It is my understanding that Kentucky has fewer errors than most States. However, as you can see by the error rates on the attached tables, out of every 10 cases which are worked, there are approximately five which are in error in some manner or other. The reasons for this are very obvious: 1. A complex system of regulations must be applied in hundreds of field offices; 2. The food stamp worker under present regulations has to predict income and expenses for the food stamp applicant household.

[The referred to information may be found on p. 57.]

This is an impossible task to ask of anyone. For these and other reasons, I have raised in my report, I would certainly recommend that this committee standardize the food stamp program regulations with all other Federal welfare programs. This position has been expressed by Mr. Schmidt and many other States, including Kentucky, to our Senators and Congressmen, and also to the U.S. Department of Agriculture.

Before I give you my concluding remarks, I would like to make one additional comment on behalf of H.R. 12168. As you gentlemen know, H.R. 12168 provides that the school lunch program be continued by the U.S. Department of Agriculture. Speaking for Wendell Butler, Kentucky's Commissioner of Agriculture, we would certainly like to see the school lunch program continue. The present

funds available to schools and institutions provided by county, city, and State taxation are not capable of meeting operating expenses. Should the school lunch program cease to exist, innumerable needy and hungry children would have to be denied free breakfasts and lunches in the schools. This would represent a large number of children in Kentucky.

Due to a lack of financial resources and adequate training in preparation of nutritious meals in the homes, the only nutritional meals that many can obtain are the free school lunches. To deny these children the right to a well-balanced meal in their diet is to encourage malnutrition and physical maladies which in many cases place these children in the welfare programs in later years.

I urge you to continue the school lunch program.

In closing, I am sure that many witnesses before this committee have argued, with some justification, that since the Federal Government pays 100 percent of the cost of the food stamps themselves, which in Kentucky amounts to over \$80 million per year, the State should bear the major portion or possibly even the full costs associated with the administration of the program at the state level. We in Kentucky cannot and do not argue against that point of view, except to the extent that Federal regulations associated with the program constrain the state from maximizing the efficiency and accuracy of the food stamp administration at the state level.

During recent years, Federal regulations have drastically increased the food stamp roll participation and therefore have directly increased the administrative costs associated with the program. A major portion of these costs has been borne by State governments without the states having any capability of controlling or even foreseeing these Federal regulations and policies. They have also had no way to influence or even to foresee the direct cost implications the program changes will have on the States. In Kentucky when the food stamp program is statewide, we will have over 500,000 people, or a little less than one-sixth of our total population, receiving food stamps. In some counties in eastern Kentucky, over 50 percent of the population are food-stamp recipients. Obviously, State revenues in a state like Kentucky are strictly limited and significantly burdened by administrative costs associated with a program which involves such a large portion of our population. Without additional matching moneys for this State and many others, we feel we will be unable to deliver this program in an efficient way.

We appreciate the opportunity to be here and to present these remarks as it relates specifically to administrative costs, knowing that you have been speaking more thoroughly in relation to commodity programs.

We will be glad to answer any questions that any of you might have.

Mr. FOLEY. Thank you very much.

Are there any question of Ms. Huecker?

Mr. WAMPLER. Mr. Chairman.

Mr. FOLEY. Mr. Wampler?

Mr. WAMPLER. I want to thank you for making a very comprehensive statement. The district I am honored to represent borders

Kentucky for some 75 miles and Kentucky is the sister Commonwealth of Virginia.

I was specifically struck by your statement that in some counties of eastern Kentucky over 50 percent of the population are food stamp recipients. Does Kentucky have a severance tax on coal now?

Ms. HUECKER. I do not think so. I think it was initiated before the House and I am sorry, I am sorry, I did not follow it.

Mr. WAMPLER. I did not either, and that is why I am curious. Most of the areas represented by eastern Kentucky would be coal areas, would they not?

Ms. HUECKER. Yes sir, and I think you know some of the difficulties of closing strip mines and some of the illnesses that have created employment problems.

Mr. WAMPLER. Yes. I was curious. I did not know what happened. I knew that was an issue at one time.

Ms. HUECKER. I think those are issues that continue to exist.

Mr. WAMPLER. Thank you.

Mr. FOLEY. Mr. Thone?

Mr. THONE. I have just one thought. Mr. Carpenter, who preceded you, seemed to feel strongly, or at least his association does, that these child nutrition programs are not to be in the welfare class. Evidentially, the State of Kentucky takes a little bit different slant on this. Is this right?

Ms. HUECKER. I do not think so. I think we in Kentucky feel that all programs that help people who have been disadvantaged by low income or no income at all are programs that are supportive of them leading back to self-sufficiency and self-support. You will find that are not considered welfare, but help in periods of crisis. I would note that we talk of financial assistance and food assistance because we feel that there are many people who need governmental programs not feel that Kentucky sees the food stamp program as a welfare program. It is now in a bureau called the Bureau For Social Insurance.

Mr. THONE. Most specifically the school lunch program.

Ms. HUECKER. Oh, the school lunch program is seen as a nutrition program to benefit those children who do not have proper balanced diets at home and can run a range of children basically, not necessarily the welfare recipient per se.

Mr. THONE. When you ask for this standardization, are you not going to put them all in the same category? Is that not a little bit what Mr. Carpenter would be concerned with? Or did I read him wrong?

Ms. HUECKER. I do not know whether you read him wrong, but when we speak of standardization as it relates to those people who participate, we are speaking of regulations that permit people to have \$1,500 in insurance in one of the Federal programs where they can only have \$500 worth of resources in another program and rents are considered differently. It is a very complicated process of computing whether the person is eligible or not.

This is not standardizing. This is taking advantage of what is available to the individual and then providing a supplement to that.

Mr. THONE. Thank you.

Mr. FOLEY. Madam Commissioner, I agree with you that there is a need for standardization. Unfortunately, this is a difficult problem because of the various authorizing statutes under which these regulations are promulgated. For example, there are different standards, I believe, for SSI recipients than for regular food stamp recipients. Our problem is that we occasionally have some problems with other committees as to jurisdiction.

Mr. THONE. That was a little bit the point I was going to make, Mr. Chairman.

On the other hand, you talk about the loss of public confidence in these programs because of the error factor in all of these complicated regulations and so on. I would suggest that the public welfare program nationally is in dire straits because of overliberality in many areas. Our constituents sure let us know about that, I assure you.

Ms. HUECKER. But you see, I would contend that it is not necessarily so much overliberality as it is lacking equity in ratios so that States could provide sufficient staff to actually look into each and every situation.

For instance, in Kentucky, because of the lack of sufficient matching moneys to provide sufficient staff, many of our intake workers are carrying 300 families and this is more than can be handled.

Mr. THONE. Has Kentucky used any of its revenue sharing in this area? It has gotten millions of dollars.

Ms. HUECKER. Well, I think, speaking as an individual and also as a taxpayer, I would hate to see revenue sharing go into people programs because of the fact that it may not be an ongoing program, revenue sharing.

Mr. THONE. It is for 5 years at least.

Ms. HUECKER. But 5 years in programs such as ours, if there is not a built-in escalation for the local tax dollar to meet it, it could be pretty traumatic, as you have seen with OEO programs and others and the hassles we have had to date with all of the programs that are set up and when defunding comes, there is nothing to pick up those programs that are beneficial to the people.

Mr. THONE. Thank you for being such a fine witness.

Mr. FOLEY. Thank you again, Commissioner. Your complete statement, including the addenda to the statement and the statistics, will be in the record.

Ms. HUECKER. Thank you.

[The material referred to by Ms. Huecker follows; other charts submitted may be found in the committee files:]

ATTACHMENT 1

The increases in administrative expenditures incurred by the Commonwealth over the past six years show the tremendous revenue burdens which have been encountered by Kentucky because of the liberalization of the food stamp regulations by the Federal Government.

As you can see the percentage of state costs jumped greatly in FY 72-73 because of national eligibility guidelines which were put into effect by the Federal Government in 1972. As I have stated before, states cannot continue to bear this financial burden alone.

FOOD STAMP ADMINISTRATIVE COSTS BY PERCENT

Fiscal year	Kentucky	Federal
1968-69	69.9	30.1
1969-70	67.9	32.1
1970-71	65.5	34.5
1971-72	68.7	31.3
1972-73	77.7	22.3
1973-74	78.0	22.0
1974-75	81.0	19.0

¹ Estimated.

ATTACHMENT 2

Attachment 1 shows the percent increase in administrative costs in Kentucky by Fiscal Year. This attachment shows the number of families and persons added to the roles of the Food Stamp Program as a direct result of liberalized regulations which went into effect January 1, 1974. The percent of increase in the number of persons participating in the Food Stamp Program which can be directly attributed to federal regulations instituted in January is 5.8%. Since there will be an adjustment in the regulations again July 1, I appeal to you to provide additional administrative monies.

	Families	Persons
Totals for December 1973	103,204	355,955
Totals for January, 1974	109,197	379,087
Increased by 1 month	5,993	23,122

Food stamps issued for December 1973

Number of families	103,204
Number of persons	355,955
Cash paid	\$3,266,250.00
Bonus coupons	6,783,371.00
Total coupons	\$10,047,888.00

Variable purchase options taken:

Full	\$86,308
Three-fourths	\$1,674
One-half	\$27,177
One-fourth	\$1,345

Total ATP \$116,504

Food stamps issued for January 1974

Number of families	109,197
Number of persons	379,087
Cash paid	\$3,499,073.50
Bonus coupons	\$9,382,842.50

Total coupons \$12,868,542.00

Variable purchase options taken:

Full	\$91,011
Three-fourths	\$1,781
One-half	\$29,707
One-fourth	\$1,577

Total ATP \$124,076

Food stamps issued for February 1974

Number of families	110,326
Number of persons	383,275
Cash paid	\$3,575,091.50
Bonus coupons	\$9,402,823.50
Total coupons	<u>\$12,975,974.00</u>

Variable purchase options taken:

Full	\$91,194
Three-fourths	\$1,747
One-half	\$31,104
One-fourth	\$1,609

Total ATP	<u>\$125,654</u>
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FOOD STAMP ADMINISTRATIVE EXPENDITURES, COMMONWEALTH OF KENTUCKY, DEPARTMENT FOR HUMAN RESOURCES

	Total cost	Federal	Stat
Fiscal year:			
1961-62	\$21,033.38	\$10,516.69	\$10,516.69
1962-63	74,197.64	37,513.32	36,684.32
1963-64	96,883.81	42,871.82	54,011.99
1964-65	181,029.29	75,793.70	105,235.59
1965-66	458,611.87	133,180.75	325,431.12
1966-67	784,776.16	193,465.80	591,310.36
1967-68	869,250.98	243,420.88	625,830.10
1968-69	935,541.32	281,535.91	654,005.41
1969-70	1,168,895.57	375,238.84	793,656.73
1970-71	1,719,053.62	592,238.70	1,126,814.92
1971-72	2,090,192.94	652,532.26	1,437,660.68
1972-73	4,411,268.35	1,011,382.71	3,399,885.64
1973-74, estimated	5,750,000.00	1,250,000.00	4,500,000.00

OUTLAY OF USDA FOOD STAMP COUPONS BY FISCAL YEAR IN KENTUCKY

	Total	Cash	Bonus
Fiscal year:			
1961-62	999,250.00	323,198.00	676,952.00
1962-63	1,694,480.00	615,378.00	1,079,110.00
1963-64	2,330,876.00	898,177.00	1,432,699.00
1964-65	3,724,198.00	1,579,960.00	2,144,238.00
1965-66	9,640,292.00	5,446,662.00	4,193,630.00
1966-67	12,386,169.00	8,067,807.00	4,318,362.00
1967-68	20,297,176.00	10,691,362.14	9,605,813.86
1968-69	22,246,175.00	11,594,069.50	10,652,105.50
1969-70	38,358,957.00	14,395,174.50	23,963,782.50
1970-71	76,962,030.00	22,902,695.50	54,059,334.50
1971-72	89,644,560.50	26,835,566.25	62,808,994.25
1972-73	111,083,254.00	34,587,226.56	76,496,027.44

TOTAL EXPENDITURES, COMMODITY DISTRIBUTION PROGRAM

	Federal	State
June 1970	\$85,428.99	\$24,830.00
December 1970	121,959.47	25,683.00
June 1971	147,365.11	25,930.89
December 1971	147,021.21	24,999.00
June 1972	158,865.86	26,003.00
December 1972	135,574.87	28,689.70
June 1973	137,585.47	29,481.50
December 1973	137,738.24	25,374.11

DEPARTMENT FOR HUMAN RESOURCES,
COMMONWEALTH OF KENTUCKY,
Frankfort, March 1, 1974.

Memorandum to: Gail S. Huecker, Commissioner, Bureau for Social Insurance.
From: Roy Butler, Deputy Commissioner, Office of Research, Program Analysis
and Statistics.

Subject: Food Stamp Control Status Report and Control Charts.

Statistical control charts and a Status Report are attached showing the cumulative results of the Food Stamp Quality Control system for the July-December 1973 sampling period as of the end of February 1974.

The control charts represent a technique of maintaining surveillance of FSQC findings and provide an early reliable indication of whether a program is functioning within acceptable tolerance limitation under Federal guidelines.

The statistical control charts are constructed on the basis of absolute quantities represented on the base line by the total number of cases reviewed and on the ordinate by the number of ineligible cases or cases with an incorrect basis of issuance at a given point in time. The charts by their design compensate for sample size or reliability regardless of the number of sample cases involved. The bottom line on the charts represents the established tolerance limitations on the levels of ineligible cases or incorrect basis of issuance. This represents levels below which it may not be feasible or, from a cost benefit standpoint, profitable to continue efforts to further reduce the level of ineligibility or incorrect basis of issuance. The upper control limit or line represents the basic tolerance limitations plus the probable sampling error which may be expected with any given set of data.

Five charts are attached representing the status of the Food Stamp caseload with respect to ineligibility, overcharges, undercharges, overissuances and underissuances. In addition, one chart representing the level of invalid decisions on negative actions (denials and discontinuances) is included.

Mr. FOLEY. The subcommittee will stand in recess in order to answer this roll call and then resume its sitting for our final witness.

[Recess.]

Mr. FOLEY. The subcommittee will resume its sitting.

The gentleman from Minnesota.

Mr. BERGLAND. Thank you very much, Mr. Chairman.

The lady I am proud to introduce is Ms. Judy Davison, with the Red Lake Indian Agency, works as social director with and among the people who live on or near the Red Lake Reservation, members of the Chippewa Tribe. I am delighted to have Miss Davison here today.

Mr. FOLEY. Ms. Davison, we are happy to have you with us.

**STATEMENT OF JUDY DAVISON, SOCIAL DIRECTOR, RED LAKE
INDIAN RESERVATION, MINNESOTA**

Ms. DAVISON. Thank you, Mr. Bergland.

Mr. Chairman, I come from the Chippewa Tribe. Mr. Jourdain our chairman, said, if you get a chance, be sure to tell the committee that Red Lake started the first surplus commodity program. In 1843, the Red Lake Chippewas had a large enough crop of grain and vegetables that they supported many families who fled to them to escape starvation. Some 50 families from other bands wintered at Red Lake in 1842 and 1843 and were fed from the surplus supplies which they had on hand.

So we think we are sort of originators of that kind of program.

Mr. FOLEY. Off the record.

[Off the record discussion.]

Mr. BERGLAND. Mr. Chairman, if I may endorse the statement prepared by Mr. Jourdain and others, let me say no one in the United States has been more persevering that has the Red Lake Band in attending to the needs of their people and those who are less fortunate.

Ms. DAVISON. The tribe passed a resolution and I have distributed copies of that. It was based on the assumption that the food distribution program will be terminated.

[The above referred to resolution may be found at the end of Ms. Davison's testimony.]

Ms. DAVISON. Our problems on the reservation of Red Lake, like the situation in many other divisions, are that our people are poor, are isolated, we have something like 130 miles from the most remote village to get into town where registration would have to take place under the food stamp program, where the stamps would be available twice a month, I am told. We have no place at Red Lake, there are just no facilities for handling the food stamp program as we understand it right now. It is for this reason that the Red Lake Bank would like—their first choice would be to continue surplus commodity or food distribution as it is. It seems to meet the needs of our people. Traditionally, the Indian people expect this from their Government. It is not just the Department of Agriculture that has always done it, but the Department of the Interior, you know, 100 years ago was giving out food distribution. They see this as a very meaningful thing each month, that the Government still provides them with basic food stuffs.

So I think a lot of the feeling, especially among our older people, is quite emotional. I mean this is a very important thing to them, to have this food distribution being given out.

Our situation is further complicated by the fact that Beltrami County, Minn., and most of our reservation is in Beltrami—a small part of it is in Clearwater—has gone on record as saying they want no part of the food stamp program on our reservation, that is a Federal responsibility and that is it. They are not going to help us.

Mr. THONE. Do you endorse the proposal of the Blackfeet Council that it be handled through the Tribal Council?

Ms. DAVISON. Definitely. If it must switch, we would much prefer that either the Tribal Council or the Bureau of Indian Affairs—actually, Mr. Jourdain feels that the Bureau of Indian Affairs, which now certify for the food stamp program—would continue to do that for the food stamp program.

Mr. THONE. What program are you with, the Bureau?

Ms. DAVISON. I am with the Minneapolis office, yes. I spoke with a man from the Dakotas and he said he thought if a vote were taken right down the Dakotas, 80 percent of the people would vote for staying on the commodity program. I know that is true of us. In fact, we would make it even higher.

The way we understand the food stamp program now, we are afraid that what would happen is the people that are really borderline people, that just qualify and have fairly decent cars, they are the ones that would benefit from the program, and the people with no cars and have enormous amounts of difficulty getting in, they will have

a very small number of people availing themselves of the food stamp program.

Mr. FOLEY. What approximate percentage of the tribe actually lives on the reservation? On the rolls?

Ms. DAVISON. I think the current rolls—we are getting the rolls ready for payment—is 5,800 enrolled Indians and around 4,000 of them live on the reservation.

Mr. FOLEY. A high percentage of them live on the reservation?

Ms. DAVISON. Oh, yes.

Mr. FOLEY. About 75 percent?

Ms. DAVISON. Oh, yes.

Mr. FOLEY. Out of that group, how many families have been considered eligible for the commodity program?

Ms. DAVISON. We had 278 families last month. That is a little over half, probably. We have about 500 families. Yes, about 278 families were eligible for the food distribution program last month.

Mr. FOLEY. Do you expect that number will go up if the reservation is given the administering authority for the program?

Ms. DAVISON. I did not quite understand you, sir.

Mr. FOLEY. If the private organization or the Bureau of Indian Affairs were given the authority to operate the program on the reservation, would you expect the percentage of participation to rise?

Ms. DAVISON. Operate the present program or the food stamp program?

Mr. FOLEY. Either one.

Ms. DAVISON. The Bureau of Indian Affairs is presently certifying. We are doing a combo job right now, the BIA certifies, the tribe pays for transportation, storage, and distribution of the commodities. But when we move to families, I think it will go down to 50 families that will have the know-how, the moxie, the transportation to avail themselves of it. Our people live scattered over a wide area.

Mr. FOLEY. Why will that be true?

Ms. DAVISON. Because they will have to come in and purchase their stamps and the county at best in the outlying districts is only selling stamps twice a month. That means you have to be at the agency on two set days a month with the number of dollars to put down and purchase the stamps. Our experience is telling us that this is the kind of thing that will not happen. Then you will not get your stamps and you will be out of the program.

Mr. FOLEY. Even if the county continues to administer the program or administer the food stamp program, certainly they can authorize distribution points for food stamps on the reservation and the agency. It is not the agency open 5 days a week?

Ms. DAVISON. Certainly.

Mr. FOLEY. Why could they not have purchases on other days?

Ms. DAVISON. I think it is a matter of having personnel out there. The food stamp program, the Bureau may not certify it by law. It has to be a representative of the State, a county agency. And the county office is 35 miles away and it is a matter of getting personnel out there that often, right now for the little small villages that are off the reservation, twice a month—in some places just once, I think they just go to Grygla, for instance, about once a month. So this is what is bothering us.

Mr. FOLEY. I am not arguing with the proposal, but there are rural areas in the country where non-Indians live some distance from the county seat and often, they have to drive some distance to whatever county offices are set up for the same purpose. Would you assume that the tribe favors the idea of the tribal government itself being the operating authority rather than the Bureau of Indian Affairs?

Ms. DAVISON. Our particular band would rather have the Bureau of Indian Affairs administer the entire program—certification, selling of the stamps, the whole thing.

Mr. THONE. Are you a little unique in that respect? I have three reservations in my congressional district.

Ms. DAVISON. I am not sure about that.

Mr. THONE. You are not sure?

Ms. DAVISON. I mean I am not sure whether other bands and tribes would prefer to handle it themselves or have the Bureau do it. We have a good working relationship on our reservation. I say furthermore, we have been certifying for the commodity program. Everybody is used to coming into the Agency office to do that. It would be no change to have us do that whole thing in the Agency office. There is no reason why the tribe could not do it. It would make no difference to me whatever they wanted to do. But this is what they have expressed.

Mr. THONE. I am inclined to agree with you that if they change this, you would lose any participation.

Ms. DAVISON. I am afraid so.

Mr. THONE. The Indians would be somewhat unique in this, compared even to the rural areas, Mr. Chairman, judging from experience in my district.

Ms. DAVISON. That is right and I submit you would find in the poor rural areas that the other people, white people, are not participating the way they would if it were just a one time a month and ganging together and go in and get some commodities compared with the food stamp program. I know lots of the communities around the reservation, too, and I know lots of people. I hear the comments—Gee, I did not get in, I could not get in.

In other words, it is spotty. They will be on and make themselves ineligible and have to make the effort to come in and recertify, this kind of thing.

I think we miss a lot of the rural poor—we will—with food stamps.

Mr. FOLEY. It is possible for the Congress to make a determination that would maintain the dual system of commodity distribution and food stamps in all those counties that wish to have both systems. Families would not be allowed to use both, but they could choose food stamp program participation or participation in commodities. However it will raise some problems if we make an exception only for Indian tribes.

Ms. DAVISON. Yes, I can appreciate that.

Mr. FOLEY. We will have rural counties and others that will say the program actually anticipated by the 1973 farm bill was to move the county away from commodity distribution in the sense of family nutritional commodity distribution and to move over completely to a food stamp program. Now, to maintain an exception for Indian reservations, not even for Indians who live off the reservation but

only those resident on the reservations, might raise some questions of equity. And I think there are problems, as you point out, of long distances from county seats, reflected in many parts of the country in some rural populations where there are large counties and scattered population.

For example, you will recall when the State of Iowa moved from commodities to food stamps, there was a sharp drop in participation. No one has a good explanation why this happens although some people have suggested cultural values. Some people are embarrassed about being viewed as food stamp recipients at the checkout counters of supermarkets by other citizens who are not recipients, whereas when they went to the distribution center, under the commodity distribution programs, the only people there were people who also participated.

Ms. DAVISON. That is a good point.

Mr. FOLEY. To provide some commodity distribution for Indian families that are not provided for non-Indians in a national program will present some problems.

Ms. DAVISON. Actually, Beltrami County that we are mainly in has been on food stamps, I believe, for 6 years and just the reservation itself was left on commodities. This really has worked out very well and we felt good about that and would like to do that. But I see some logistics involved. If you are going to have just commodity programs on Indian reservations, it is pretty spotty all over. I do not know what we might work out. Really, we need some more time right now.

Mr. FOLEY. I do not want to anticipate this subcommittee's judgment or that of the Congress, but there is, I think, a substantial feeling that the expiration date of June 30 is very close. There are going to be some difficulties, not only on Indian reservations, but in the offshore areas like Puerto Rico and the Virgin Islands, in meeting the transition time pressures and deadlines required by the present act. So it may be that whatever the judgment on the other issues, the subcommittee or the Congress will extend, at least, the time for the transitional operation to give a longer period for transition.

Ms. DAVISON. That would help us immediately and we can educate people, if nothing else, if we had more time to develop the thing and see what we can work out under the food stamp program.

Mr. BERGLAND. Mr. Chairman, this reservation is within my congressional district. I want to reinforce and verify what Ms. Davison has said about conditions up there. People are living in three small villages and some are scattered between them. This is a lake-oriented economy and I know there are dozens of families without transportation who cannot get into Red Lake on a given day. It is impossible for them to be able to sign up or qualify for a food stamp program.

Ms. Davison, I have visited with a number of folks at Red Lake and other communities up there about the commodity program and there are, I am told, literally hundreds of people who are proud but poor and who, for a variety of reasons, resist signing up for food stamps because they characterize this as a form of welfare and they do not want the stigma that is attached to that program. They have for years used the commodity programs in a way in which the mother

will use these staples to provide a balanced diet and can actually feed the family as well as or perhaps better than if groceries were bought, and for less cost, and without the stigma sometimes attached to the food stamp program.

Ms. DAVISON. I would agree.

Mr. BERGLAND. What has your experience been in working with families who have been using these programs? Are they in fact providing the families with a balanced diet?

Ms. DAVISON. I feel they use the commodities without any question at all. They look forward to it. They will call, you know, and ask—sometimes it varies a little bit. We usually get our commodities the first day of the month, and in the falls, they are not always sure. They will call and say, Gee, I was planning on commodities this week. They will really plan for it. It does mean a lot to them.

I am glad you brought that up. I think they do see that much differently, especially if they have to go to the county to certify on this. They always feel different about what the Bureau does. It is like all us folks together. But the minute they have to go to the county, it is hard for them to do it.

I do not know how to explain it. It is partly a feeling, I am just a poor Indian. It is hard for them to go to the county people, whereas they feel very much at home with us because we are out there on the reservation and it is easier for them.

But it is a good point, there is a matter of pride involved here. They feel very definitely that these food stuffs are owed to them by a government that treated for them. I know that is not the way it is working now, but this is something that they think is coming to them by right and by treaty. But the food stamp thing is another whole ball of wax with them. That is a county welfare program. It would be difficult. I am sure we would get very low participation if we had to shift unless we have a lot of time to develop it and publicize it and get it organized.

Mr. BERGLAND (presiding). Thank you very much, Ms. Davison.

Are there other questions?

[No response.]

Mr. BERGLAND. If not, we really appreciate your coming today to bring us this message.

Ms. DAVISON. I am happy you asked me. Thank you.

[The resolution referred to by Ms. Davison follows:]

TRIBAL COUNCIL, RED LAKE BAND OF CHIPPEWA INDIANS,

RESOLUTION No. 4-74

Whereas, under P.L. 93-86, August, 1973, the U.S. Department of Agriculture has announced that the Commodity Distribution Programs will be discontinued on June 30, 1974, with no exceptions, and that State-Controlled food stamp programs will be implemented, and:

Whereas, such action will cause legal and health problems and create inconvenience and undue hardships on the people of the Red Lake Reservation, and:

Whereas, Indian reservations were not taken into consideration upon passage of P. L. 93-86 except that the language of "impossible or impracticable" would apply to the Red Lake Reservation, and;

Whereas, the Red Lake Reservation is in an isolated area, without public transportation, situated from seventy five (75) to one hundred thirty miles (130) from the Beltrami County Welfare Office, and;

Whereas, there is no public transportation available: Now, therefore, be it
Resolved, The Red Lake Tribal Council hereby requests that implementation of P. L. 93-86 be delayed for a period of one year, from July 1, 1974, thru June 30, 1975 and that during this period, the USDA and MDPW conduct a program of basic consumer and nutritional education on the Red Lake Reservation; be it further

Resolved, That following the educational one-year period, the USDA and MDPW implement a special program of food coupons or vouchers similar to that being proposed for the school lunch and supplemental food programs, to be certified by and distributed by the Bureau of Indian Affairs, Red Lake Agency for residents of the Red Lake Reservation; be it further

Resolved, That a poll be taken for implementation of such a plan on all Indian Reservations in the Country where poverty and isolation make the food stamp program "impossible and impracticable"; be it

Resolved further, The Minnesota Congressional delegation is hereby requested to support this resolution.

For—9

Against—0.

We do hereby certify that the foregoing resolution was duly presented and enacted upon at the Regular meeting of the Tribal Council held on Wednesday, January 16, 1974, with a quorum present, at the Red Lake Tribal Council Hall, Red Lake, Minnesota.

ROGER A. JOURDAIN, *Chairman.*
 ROYCE GRAVES, *Secretary.*

Mr. BERGLAND. This will conclude the witness list for today and the committee will stand in recess until 2 o'clock tomorrow afternoon.

[Whereupon, at 4:05 p.m., the subcommittee recessed to reconvene at 2 p.m., Wednesday, May 8, 1974.]

EXTEND COMMODITY FOOD DISTRIBUTION AUTHORITY

WEDNESDAY, MAY 8, 1974

HOUSE OF REPRESENTATIVES,
AD HOC SUBCOMMITTEE ON LEGISLATION
TO EXTEND THE COMMODITY FOOD
DISTRIBUTION AUTHORITY OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to order, at 2:10 p.m., in room 1302, Longworth House Office Building, Hon. Bob Bergland, presiding.

Present: Representatives Bergland, Jones of Tennessee, Wampler, Goodling, and Thone.

Also present: John Rainbolt, associate counsel; and Anita Brown, staff assistant.

Mr. BERGLAND. The Ad Hoc Subcommittee on Legislation to Extend the Commodity Food Distribution Authority will come to order.

The first witness this afternoon is Col. Ellsworth Reiss, coordinator, New Jersey agricultural commodity distribution program, New Jersey Department of Agriculture and president of the Northeast Area Commodity Distribution Association.

Mr. Reiss, we are delighted to have you, sir.

STATEMENT OF COL. ELLSWORTH REISS, COORDINATOR, NEW JERSEY AGRICULTURAL COMMODITY DISTRIBUTION PROGRAM, NEW JERSEY DEPARTMENT OF AGRICULTURE; AND PRESIDENT, NORTHEAST AREA COMMODITY DISTRIBUTION ASSOCIATION

Mr. REISS. Mr. Chairman and members of the committee, as President of the Northeast Area Food Distribution Association, I represent the following states: Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, West Virginia, and Virginia.

I am also speaking on behalf of the Southeast Area Commodity Distribution Association comprising: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee.

We appreciate this opportunity to discuss the food commodity programs which you have supported since the year 1946. On March

1, 1974 I sent letters to 28 members of the Committee on Agriculture requesting an extension of section 4(a) of Public Law 93-86 of the commodity distribution program through the fiscal year ending June 30, 1976. I am happy to say that the responses that were received were favorable. However, I do have in my possession a letter dated March 1, 1974, written to a colleague by Congressman W. R. Poage, Chairman of the Committee on Agriculture, indicating the following:

Congress gave the Department of Agriculture special authority in the Agriculture Consumer Protection Act of 1973 to go to the open market and purchase commodities, even though "not in surplus" for specified donation purposes. This, we felt, was necessary at the time since the initial legislation authorizing the surplus agricultural commodities distribution program, Section 32 of P.L. 74-320 required that only commodities actually "in surplus" could be donated. As you know, very few agricultural commodities were "in surplus" in the summer of 1973 and that continues to be the case today. Furthermore, we imposed a termination date of June 30, 1974 on this special authority since elsewhere the bill required that a Food Stamp Program be instituted in all political subdivisions of every state to meet the needs of families who had been receiving commodities previously.

Since last year other programs which provide for payments in cash rather than goods have been developed to meet the needs of schools for their lunch programs and day care centers that participate in the Special Food Service Program for children. It may well be that certain other institutions will not receive commodities as they have in the past, since we no longer have "surplus" agriculture commodities for donation as the original law required, and inasmuch as the jurisdiction over general aid to education and social service institutions lies with committees other than the Agriculture Committee, we do not plan at this time to proceed on the renewal of Section 4(a). It may be that one of these other committees which now claims jurisdiction over education and welfare areas may have plans to propose legislation affecting these areas.

Gentlemen, I agree with Congressman Poage to a certain extent. However, did he consider the following?

a. The Committee on Agriculture has jurisdiction over surplus disposal and also human nutrition. If surplus is not available do we also disregard human nutrition?

b. The U.S. Department of Agriculture wants to keep the surplus disposal authority. When surplus food commodities are available they expect to dispose of it through a "paper tiger" voucher system. There are approximately 109,000 school districts in the United States and everytime there are surplus food commodities a voucher would be issued to the States and in turn to 109,000 school districts. Do you think this will remove the surplus immediately? The vouchers would be applied against the local wholesale or retail market. The wholesale and retail merchants would be "backed up" with inventory stocks. This would cause a chain reaction through the general warehouses and distribution points to the surplus area. In this type of situation it would take many months just to reach the area of surplus. Under the current Commodity Organization of today, at Federal and State level, surpluses can be removed from the surplus areas and shipped directly to the 50 States for almost immediate consumption.

c. The \$45 million of beef just purchased by the U.S. Department of Agriculture concerns support in price stabilization. Each day the cattle are fed, after they have reached the marketing point, the rancher loses money. To preclude the rancher from taking further

losses the U.S. Department of Agriculture came to their support by purchasing the \$45 million of high grade beef. Price stabilization is under the jurisdiction of the Committee on Agriculture. Can you imagine no distribution system at State level and a voucher system to be used in place thereof? Warehouses are currently loaded with high priced beef, therefore, the school in the east would purchase the beef through the voucher system from the local retailer or wholesaler at a high price. Will this help the rancher who is feeding cattle the high priced grain in the Midwest? A solution to this problem is to maintain the current food distribution system at federal and state level which can move price support and/or surplus items rapidly and economically to the consumer. By consumer, I mean eligible recipients in our current Federal food program.

FUNDS—SCHOOL LUNCH PROGRAMS AND INSTITUTIONS

Listed below is the proposed fiscal year 1975 Food and Nutrition Service Budget, Department of Agriculture, as submitted to Congress on February 4, 1974, as compared to fiscal year 1974.

[Dollars in millions]

Child nutrition programs	Fiscal year 1974	Fiscal year 1975	Remarks
Commodities:			
Section 6.....	\$64.3	\$64.3	Represents food purchase levels. Actual distribution rate will be 7 cents per meal.
Section 32.....	110.4	96.6	
Section 416.....	139.0	129.1	
Subtotal.....	313.7	290.0	
Institutions: Food distribution to institutions.....	18.9	16.0	Reflects decreased availability of commodities.

Please note a reduction in commodities for child nutrition programs amounting to \$23.7 million in fiscal year 1974 v. fiscal year 1975. When prices are going "up" why is the budget reduced for fiscal year 1975? The U.S. Department of Agriculture economists indicate a food price level averaging 12 percent above fiscal year 1974. To maintain the annually programed level of assistance for schools the budget for schools should read \$351.3 million instead of \$290 million.

This same situation applies to Institutions. The fiscal year 1975 budget should read \$21.1 million instead of \$16 million in order to maintain the annually programmed level of assistance for Institutions.

The overall food expenditures have doubled since 1965 however, the food commodity expenditures have remained almost dormant.

PROCESSED FOOD ITEMS

It is the opinion of some of the legislators that many eligible recipient agencies do not want war food commodities because they are difficult to handle in the kitchen. This is not an absolute opinion. Over the many years the recipient agencies have obtained adequate equipment to process these raw materials. Also during the past 3

years we have made substantial gains in the commercial food processing field such as:

Durum wheat flour being processed into macaroni, spaghetti, and shells.

Soybean oil processed into mayonnaise.

Flour utilized in bread baking, pizza pies, and soft pretzels.

Pinto Beans into canned vegetarian beans.

Raw whole turkey into turkey rolls.

USDA soft flour into cake mixes.

Processing contracts are monitored by State Distribution Agencies resulting in millions of dollars of savings to recipient agencies. As an example. In the State of New Jersey the processing of 2 million pounds of durum wheat flour into macaroni, spaghetti and shells saves recipients over one-half million dollars. The recipient agencies pay \$1.60 for a 20 pound package. The wholesale cost is about 38 to 40 cents per pound and the retail cost is approximately 48 cents per pound. Two years ago the durum wheat flour was not available to the Federal food commodity programs.

As you can determine, with a little ingenuity the raw commodities can be processed into many useful end products. If these raw materials are not made available by the U.S. Department of Agriculture all our current processing experience and savings to recipient agencies will be lost. Who would order durum wheat flour at the recipient level or through a credit voucher system?

FOOD COMMODITY PROGRAMS IN THE NORTHEAST STATES

In the Northeastern States the food commodity program reaches 5 million school children, 500,000 individuals in institutions and 430,000 Boy and Girl Scouts, underprivileged children, et cetera in summer camps. I want to strongly emphasize the need for the continuance of the food commodity programs at adequate levels to support the nutritional needs of millions of human beings in our schools, institutions and summer camps. Under the Older American Act the elderly can receive one meal a day for five days a week and USDA food commodities have been authorized by Congress as a supplement. Also USDA foods in central warehouses, at State level, have been the only Federal/State food bank available to help feed the needy in distress during natural disasters.

CLOSING STATEMENT

The U.S. Department of Agriculture wants to "dump" the food commodity program that has been of great nutritional value to millions of individuals across the Nation. There is indication that Clayton Yeutter the Assistant Secretary of Agriculture, will do all in his power to end the food commodity program. His first step is to cut back the funds for fiscal year 1975. This has already been done by the budget being \$23.7 million less for school lunch programs and \$2.9 million less for institutions. The 12 percent minimum cost of living increase was not even considered. His second step will be not utilizing the funds to purchase food commodities throughout the school year. The current plan is to spend approximately \$200 million with the

remaining \$90 million resulting in a cash flow to schools during the last half of the fiscal year, therefore, phasing out the food commodity programs. As far as the \$16 million for institutions there are no plans to spend one cent after July 1, 1974. This means no nutritional support to millions of human beings in institutions, supplemental feeding programs, senior citizen programs and summer camps.

Please remember that if there is a cash flow to schools in lieu of commodities the volume buying power that they have enjoyed in the past will be lost. Individual recipient agencies or an individual State cannot duplicate the savings that the U.S. Department of Agriculture has realized in volume purchasing.

Gentlemen, to maintain the program at the fiscal year 1974 level you must consider the increase in food costs and bring the appropriation in dollar value up to that projected cost. You must consider that the Committee on Agriculture not only has jurisdiction over price stabilization and surplus disposal but also human nutrition. It is your duty and obligation to place the responsibility on the U.S. Department of Agriculture to support 25 million school children, 2½ million Boy Scouts, and millions of other eligible individuals throughout the United States and to continue the Federal food programs indefinitely. We endorse the Melcher bill H.R. 14247.

Before closing I request that you receive two items for the record:

1. An extract from the Wall Street Journal, dated May 2, 1974 where there is indication that at the end of the 1974-75 season the reserve wheat stock is expected to rise to around 500 million bushels, et cetera.

2. Comments on a few excerpts from the statement of Clayton Yeutter, Assistant Secretary, U.S. Department of Agriculture before the Subcommittee on Agriculture and Forestry, U.S. Senate on March 27, 1974.

Gentlemen, I request that these two items be inserted into the record.

Mr. BERGLAND. If there is no objection, the two items referred to will be included in the record.

[No response.]

Mr. BERGLAND. It is so ordered.

[The above referred to attachments follow:]

[From the Wall Street Journal, May 2, 1974]

COMMODITIES

Waning exports and the advent of a record winter wheat harvest continued to weigh on wheat futures prices.

The Chicago wheat futures market dropped 16 cents a bushel. This brought the cumulative loss since last Friday to about 55 cents. The May 1974 delivery yesterday sold at \$3.68 a bushel, down from the high of \$6.36 paid Feb. 26. On that date the March 1974 delivery, in which trading has expired, sold at a record \$6.45.

Exporters cleared 14.7 million bushels of U.S. wheat to foreign customers last week, compared with 14.6 million bushels a week earlier and 31.6 million a year ago. The latest clearances brought the cumulative total for the season started July 1, 1973, to 1.022 billion bushels, about 100 million bushels more than were shipped in the like period a year ago. However, there are only nine weeks remaining in the current crop year and weekly wheat exports would have to average out at 18 million bushels is the Agriculture Department's 1.2 billion

bushel estimate is to be achieved. Exporters say this isn't likely because they expect a drop from the less than 15 million bushels cleared during each of the previous two weeks.

Portugal earlier this week postponed buying 1.5 million bushels of wheat in the world market, presumably hoping to obtain the grain at a later date at lower prices. Exporters said some nations have indicated they would wait for increased harvest of wheat in the U.S., which usually results in lower prices. Colombia was scheduled to buy 2.9 million bushels of wheat in the world market yesterday, but also postponed buying until later. A strike of longshoremen on the West Coast, if prolonged, would seriously cut into U.S. wheat exports, market sources said.

BRAZIL SOYBEAN MEAL SALES

U.S. exporters encountered competition in the world market from Brazil on soybean meal sales. The South American nation has already sold 20,000 tons of the high-protein animal feed in the world market at prices lower than those offered by U.S. exporters. Brazil was trying to make additional soybean meal sales yesterday at prices that equaled about \$2 a ton less than those charged by U.S. sellers.

Common Market countries have wheat that is expected to be offered in the world market. International grain merchants said France currently has about 18.5 million bushels of wheat that it is willing to sell.

U.S. farmers have started to harvest the winter wheat crop they planted last fall. Growers planted an estimated 51 million acres for the crop, some 18% more than a year ago. Agriculture Department officials estimate probable winter and spring wheat production at 2.1 billion bushels. This would be up from the 1.7 billion bushels produced in 1973. The carryover of wheat on June 30 is expected to be 180 million bushels, but at the end of the 1974-75 season the reserve stock is expected to rise to around $\frac{1}{2}$ billion bushels.

COMMENTS BY COL. ELLSWORTH C. REISS, RET., ON STATEMENT BY CLAYTON YEUTTER, ASSISTANT SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

I would like to comment on a few excerpts from the statement of Clayton Yeutter, Assistant Secretary, U.S. Department of Agriculture before the Subcommittee on Agricultural Research and General Legislation Committee on Agriculture and Forestry, United States Senate on March 27, 1974.

a. "We think the solution that was found—to supply cash, in lieu of commodities—is sound and useful, now as it was then."

Comment—Mr. Yeutter was referring to the time of World War II and its aftermath. When he uses the word "think" it is a doubtful word. Why doesn't he say something positive?

b. "In fact our efforts to purchase food, even at market levels, are facing stiff competition. As a result, there are times that the USDA receives no bids at all on its offers to buy."

Comment—Mr. Yeutter does not mention some of the reasons for a "no bid" situation. Some of the reasons are:

1. Specifications are "too tight" or do not fit the item available on the market. As an example, the item, Durum wheat flour during last July and August could not be purchased because the specification was too high in protein, moisture, etc. However when the specification was reduced to fit the market the U.S. Department of Agriculture did receive bids.

2. Item not available—such as dry milk.

3. Packaging not available—such as small containers for salad oil or vegetable oil, however, I could get the item in 60,000 or 150,000 lb. jumbo tankers. The oil is a component of mayonnaise.

Even with a few "no bid" situations the 1974 fiscal year was an excellent year for food commodities as far as recipient agencies are concerned with one exception. Institutions have not received butter since January and they have not been authorized to receive margarine as a substitute.

c. "For the current year, the special purchase authority Congress provided in the Agriculture and Consumer Protection Act of 1973 has enabled us to maintain the annually programmed levels of assistance for schools and other domestic food assistance programs."

Comment—Gentlemen, this is an untrue statement. During the past three years the funds have been reduced gradually therefore resulting in less product being purchased due to cost of living increases. How can we maintain the traditional level for schools, if the budget for FY 1975 is \$23.7 million less than FY 1974, not considering the cost of living increase. This applies to funds for institutions also.

d. "—we can more effectively help meet nutritional needs through cash assistance to child nutrition programs than we can through attempting to procure and distribute food from the federal level."

Comment—Cash at recipient agency level has less buying power, therefore, resulting in less product. With less product fewer individuals would be fed or they would all receive smaller amounts of food with the final results of less nutrition to all individuals. Does Mr. Clayton Yeutter mean that the turkeys, chickens, ground beef, hot dogs, peanut butter and other items that are purchased by USDA are not highly nutritious? Is the \$45 million of beef that USDA contemplates buying for FY 1975 for school lunch programs not highly nutritious?

e. Mr. Clayton Yeutter deviated from his statement and personally said "Schools can buy as good as USDA".

Comment—This is not a sound statement. The USDA has better control because they have generally excellent specifications which they can properly monitor, therefore, assuring "good buys". Recipient agencies, such as school districts, do not have detailed specifications, such as USDA and they do not have the manpower to monitor them. Volume purchasing of USDA should result in the best price vs small lot buying. USDA is unique in volume buying and they have the proper expertise.

f. "In the past, food for emergency feeding has been a sideline of ongoing food distribution programs. Today we no longer have government food stockpiles and massive distribution systems. To the extent that state and local school districts continue to maintain inventories of food, those inventories should continue to be available for disasters. To the extent that they do not meet disaster assistance needs, we in the Federal Government should work with the nation's commercial food distribution system to develop means to supplement and complement these inventories.

Comment—Why should we destroy a system that has been successful in supporting many disaster areas during the past few years. During the Agnes disaster, New Jersey supported Pennsylvania with over 400,000 lbs. of USDA food commodities through a National Guard convoy, a 1st army convoy and commercial vehicles. The reaction time was superior. Also USDA food commodities came from many other states. The food commodities were supplied free except for commercial transportation and minor warehouse and handling costs. The Red Cross and the Salvation Army are looking at us to supply them with large quantities of foods for immediate mass feeding. Gentlemen, the following states utilized USDA food commodities during the recent disastrous tornadoes that took over 300 lives: Alabama, Georgia, Ohio, Kentucky and Indiana. Also gentlemen, the cost of utilizing the food and services of commercial food distribution systems would greatly exceed that of our current system.

It will be dangerous to our population if the commodity program is dropped and there is no ongoing program that will work.

Mr. BERGLAND. Thank you very much, Colonel Reiss, for a very useful and factual statement.

Are there questions?

Mr. GOODLING. Yes, Mr. Chairman.

I want to take rather violent exception to some of the things you have said and also correct the record. I trust you will go home and tell my friend, Mr. Lampe, what I said.

In one of your statements, you say the Committee of Agriculture has jurisdiction over surplus disposal and also nutrition: The Committee of Agriculture has absolutely nothing to do with that. That is the Department of Agriculture, not the committee.

Then you say it is your duty, meaning us, an obligation to place the responsibility in the U.S. Department of Agriculture to support

25 million school children, 2½ million boy scouts, and millions of other eligible individuals throughout the United States and to continue the Federal food program indefinitely. I would like to point out to you that if you expect this to be done, you should go to not the Department of Education, but the Committee on Education. I happen to be one of the 30 or 35—I do not recall the number—who were hypocrites yesterday. But I want to set the record straight on that.

I am getting darned sick and tired of having the farmers of the entire United States given credit for this sort of thing, because the Department of Agriculture does have an enormous budget. And this is one of the reasons. The Committee on Education has a responsibility for the legislation. Now, if it is going to have the responsibility for the legislation, I also want it to pick up the tab for that. It just is not fair. It was simply irresponsible spending.

This has never gone through an appropriations committee and that is not the proper way to legislate. It is completely in error and I will oppose it every time.

I might add to that that I have been a school director for 28 years and I know something about school lunch programs. But I want the money to come out of the proper place. I do not want the farmers of the United States taking credit for having this huge budget simply because the Committee on Education refuses to accept its responsibility.

Furthermore, I am not a gambling man, but if I were, I would give you big odds that the State of New Jersey, right now, this very minute, is in a far better fiscal position than the U.S. Government. I had occasion to check our national debt yesterday and I was amazed to find that in the last 27 days, that national debt has gone up \$2¼ billion dollars. I do not know if that scares you or not. It scares me. When we are paying better than \$55,000 a minute just to pay the interest on that national debt, every minute we sit here, I think it is time some of us sit up and took notice.

Yes, I am for the school lunch program, always have been. I want to continue to be. But it is time we do some serious thinking if we are going to maintain the United States that you and I and everybody else have known in the past. You are completely out of order when you expect the Department of Agriculture to pick up the tab that the Committee on Education should pick up. I suggest that this meeting should be held with the Committee on Education rather than the Committee on Agriculture.

Probably I have said too much already, but I do have more in my mind. That is all, Mr. Chairman.

Mr. BERGLAND. Thank you very much, Mr. Goodling.

Mr. GOODLING. He may want to comment on it.

Mr. BERGLAND. Colonel, you are free to comment.

Mr. REISS. Yes, Mr. Chairman, I do have a comment.

I have before me a document showing the U.S. House of Representatives Committee on Agriculture, W. R. Poage, Texas, chairman. Jurisdiction of the Committee on Agriculture. One of the items "Human Nutrition and Home Economics."

Mr. GOODLING. Will you say that again, please?

Mr. REISS. "Human Nutrition and Home Economics."

Mr. GOODLING. We may have the jurisdiction over the legislation, but we certainly do not have over the payment. Not the Committee on Agriculture. We do not dictate payments to the Department of Agriculture. You have to make a distinction between the Committee on Agriculture and the Department of Agriculture.

Mr. REISS. In my statement, I did mention funds, but I also said that in addition to surplus, if there is no such surplus, maybe the human nutrition jurisdiction should suffice.

Mr. GOODLING. "The Committee on Agriculture has jurisdiction over surplus disposal." We may have jurisdiction over the legislation, but we certainly have no jurisdiction over the implementation of the legislation. That is strictly a function of the Department of Agriculture.

Mr. REISS. It says here "surplus disposal," as I mentioned, plus human nutrition and home economics.

Mr. BERGLAND. I think perhaps there is a misunderstanding.

As I read the Colonel's statement, I assumed he was talking about the legislative authority. We, of course, are not the administrative agency. As Mr. Goodling pointed out, the administration does fall within the Department of Agriculture. We merely authorize these programs.

Mr. GOODLING. That is exactly the point I was trying to make.

Mr. BERGLAND. So you are both correct.

Mr. REISS. Thank you.

Mr. BERGLAND. Any further questions?

Mr. Goodling?

Mr. GOODLING. No.

Mr. BERGLAND. Mr. Thone?

Mr. THONE. No.

Mr. BERGLAND. Colonel, we thank you for coming today bringing this point of view and this information to the subcommittee. It will be carefully considered as we proceed with this legislation.

Mr. REISS. Thank you.

Mr. BERGLAND. Our next witness is Mr. Jay P. Davis, Director of Food Distribution Division, North Carolina Department of Agriculture, representing the Southeast Commodity Distribution Association.

Mr. Davis, we are delighted to have you, sir.

STATEMENT OF JAY P. DAVIS, DIRECTOR, FOOD DISTRIBUTION DIVISION, NORTH CAROLINA DEPARTMENT OF AGRICULTURE, REPRESENTING THE SOUTHEAST AREA COMMODITY DISTRIBUTION ASSOCIATION

Mr. DAVIS. Thank you, Mr. Chairman.

Also, I might say that our State Commissioner of Agriculture asked me to speak for him also.

I do appreciate the opportunity to talk to you today on behalf of the Southeast Area Commodity Distribution Association and North Carolina Commissioner of Agriculture James A. Graham regarding the extension of the special purchase authority for the U.S. Department of Agriculture to continue to provide foods for

our schools, institutions, summer camps for children, and disaster feeding.

Section 4(a) of the 1973 Agriculture and Consumer Protection Act (Public La. 93-86) gave the Secretary of Agriculture authority to purchase food commodities at market prices to maintain the annual program level of assistance for schools and other domestic food assistance programs for the year ending July 1, 1974.

As you know, this authority expires at the end of June.

As legislative representative for the Southeast Area Commodity Distribution Association, which is composed of State and local commodity distribution persons in the States of North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Kentucky, and Tennessee, and North Carolina Commissioner of Agriculture, James A. Graham, I endorse and request extension of Section 4(a) of Public Law 93-86 for the following reasons:

Let me parenthetically say that our Department, the North Carolina Department of Agriculture, is involved in this commodity distribution program for one purpose, and that is to help our farmers and producers in North Carolina where they are not able to find a market which will give them a cost production return and we try to help by being a distributing agency for the U.S. Department of Agriculture to move any surpluses. That is the way we got into it and that is the way we have been dedicated to it for the last 20-some years. I trust that is in line with the thinking of the Committee.

Without this special authority, the Department would probably be unable to purchase the large quantities of foods which constitute the food assistance made available to schools, institutions, summer camps for children, and other eligible groups. This would likely result in the present Federal-State distribution system being dismantled and, therefore, we would no longer have this means of dealing with future surpluses of foods. As recent developments in the beef and pork markets indicate, there is a high probability of USDA assistance being required to help maintain farmers and producers income.

Just last week, I was talking to the executive secretary of the North Carolina Pork Producers Association. He stated that our North Carolina producers were losing approximately \$20 on each top hog sold. Of course, you know the beef producers have been experiencing difficulty with their marketing of beef animals for some time. The turkey market is very weak. The outlook for the various other farm commodities is such that we feel that prudence would indicate the U.S. Department of Agriculture should maintain its capability for moving into the market with price support and surplus removal purchases where needed.

2. A voucher system has been suggested to deal with each future surplus.

As Colonel Reiss suggested, there is a great deal of question in our mind as to how effective this could be and to make it effective in a short amount of time would be required to target in on service.

I have discussed with many of our food service people the possible voucher system and they have grave reservations concerning its

effectiveness. It does not appear to make sense to me to abandon the food distribution program which is now and has been effective for the past 35 years.

The feeling of the great majority of school food service people in North Carolina is that they would not only like to see USDA purchase and distribute foods to schools but that such purchases should be increased rather than decreased. We believe the U.S. Department of Agriculture should, at a very minimum, increase the volume of the foods donated to schools to a level of 10 cents per meal. Even with this increase from 7 cents to 10 cents, the actual quantity of foods which would be purchased would be decreased because of the higher level of food prices.

I know this is one of the points raised by the Assistant Secretary of Agriculture, that many of the schools said they were not able to use the raw products. In our schools, all 1,980 of them, there are lunchrooms with fully equipped kitchens and trained personnel available to prepare and serve nutritious, hot meals to school children. We believe that the best meal is a meal prepared in the school kitchen and served directly to the students rather than a TV style dinner.

The donation of USDA donated foods has been one of the main supports of our school food service program in North Carolina, and as other persons from the schools have testified, they do not wish to see it abandoned.

4. Only schools participating in the national school lunch or breakfast programs are to receive cash assistance as provided under Public Law 93-150 to compensate for the losses of donated commodities. Institutions and summer camps for children would receive no assistance. This would place a tremendous burden on these agencies which are already struggling to serve adequate meals.

5. We know, from many years experience in dealing with food, as the North Carolina distribution agency, and working directly with the school food personnel in our schools, that USDA is able to exercise superior expertise in purchasing of foods. Many of our schools purchase individually, and in many cases, have very little choice of items which can be purchased on local markets. They simply do not have the knowledge of the food industry as does the U.S. Department of Agriculture. It certainly seems logical that USDA, with their mass purchasing power, expertise in purchasing, knowledge of crop conditions and prospects would be in a good position to supply a large portion of the foods used in school food service and other programs.

6. Under Public Law 93-150, schools would not receive the payments of cash before March of each year, with which to purchase the foods. This would place an additional financial burden on the school food service programs.

7. Of major importance, it seems to us, as Col. Reiss mentioned, is the fact that the reserve of food for disaster relief assistance would be lost if the USDA donated foods were not available. Certainly, schools and institutions could not be depended upon to supply foods from their stocks to meet such emergencies.

In summary, we request that Section 4(2) of Public Law 93-86 be extended permanently and make it mandatory that the U.S.

Department of Agriculture continue to maintain and increase levels of assistance to schools, institutions, summer camps for children and that an effective system of distribution of these foods nationwide not be abandoned.

Thank you.

Mr. BERGLAND. Thank you very much, Mr. Davis, for a very well prepared statement.

Are there questions of the gentleman?

Mr. GOODLING. One question, my stock question that I ask everybody who asks for increased spending.

What do you propose we use for money? I notice you advocate increased spending?

Mr. DAVIS. Sir, I am advocating the use of funds available to the U.S. Department of Agriculture already, the section 32.416 funds.

Mr. GOODLING. Where are we going to get these funds for the Department of Agriculture?

Mr. DAVIS. We are diverting them into other purposes. Perhaps some of that could be brought home.

Mr. GOODLING. Well, give me a specific instance.

Mr. DAVIS. I am not familiar with all the uses of section 32, sir.

Mr. GOODLING. We are responsible for what we do here and this worries me.

Mr. DAVIS. I agree with you. I have been working with United States and State Department of Agriculture now for 32 years and I am quite familiar with a great many of the programs, including the section 32 programs, but I do not feel I would be qualified to make a fiscal determination of the nature you mentioned.

Mr. GOODLING. I stated yesterday that I am concerned about the fiscal position of the United States. It is not going to matter too much to me anymore, but I have 13 grandchildren.

Mr. DAVIS. Well, you are about 10 up on me.

Mr. GOODLING. And I just do not believe that the Federal Government can continue to operate in the red year after year after year, anymore than your State can or your Department can. I think it is time all of us, regardless of how much you think of a project—and I have voted against a lot of good bills, I know, simply because the money is not there. I think it is time we take some thought to where we are heading financially.

Mr. DAVIS. You certainly have a very good point, sir, and I would not disagree at all. However, I do not think we should abandon our farmers and producers, that this is not where we should start cutting back on surplus food removal that may be needed very badly in a few months. You know how quickly this has turned around before, from your past experience. We have been at this juncture two or three times in the past years and we thought all our export markets and so forth would take care of all our production and we would not be bothered with surpluses of any type. We know how quickly this has turned around.

We hate to see this machinery dismantled so if the occasion arose, as it did in 1946 and 1947 and I do not recall other dates, when the USDA said, yes, we have the funds, we would be glad to come in and buy some sweet potatoes and cabbage, but you have to find

the place for them. This means the States should have some kind of distributing agency to take care of this for them; otherwise, we will have difficulty carrying out any surplus food activities at all. This is our concern in the North Carolina State Department of Agriculture.

Mr. GOODLING. I might say I have been a farmer for 50 years and I get a little unhappy with what the Department of Agriculture does sometimes. I want to give you one example. I do not believe I said this yesterday.

I happen to be a fruit grower. Several years ago, we had a surplus of fruit all over the United States. I happened to be home on a non-legislative day. I had occasion to deliver a few apples.

I started carrying them into a refrigerator in a high school, and what did I see? A great big stack of fruit that had been shipped in from Washington or Oregon. Here I was 15 miles from that school. To me, that does not make sense and I told the Department of Agriculture that it does not make sense.

That very same year, Virginia had a big surplus of apples, Pennsylvania had a big surplus of apples. What happened? They shipped Pennsylvania apples right down into Virginia. That sort of thing just does not make sense.

Mr. WAMPLER. It sure does not.

Mr. GOODLING. My friend from Virginia agrees.

Mr. DAVIS. There are reasons, not very good reasons, but there are reasons these things are done. Maybe a surplus develops in one area more quickly than another and maybe producers get them on the market a little more quickly, or this man places orders from Virginia and when the Department has bought apples, maybe they bought them in Washington and by the time the Virginia orders get in, they have already been shipping—by the time the Virginia apples become available, the Washington apples have already been in transit to Virginia.

I know, I have been involved in that same type of deal and it is not a very pleasant situation, I agree with you.

Mr. GOODLING. That is all, Mr. Chairman.

Mr. BERGLAND. Thank you, Mr. Goodling.

To follow on the question put by the gentleman from Virginia, with respect to cost, and the alternatives that seem to be open to us. I pay a fairly healthy Federal income tax. I also have property in Minnesota, on which I pay a very heavy real estate levy for the purpose of supporting our schools and our other programs under the general title of public assistance. I am interested in getting the most bang for the buck.

Now, if the program of direct commodity distribution is terminated and that burden placed upon the local taxes, will it cost the taxpayer more or less, based upon your experience as an administrator?

Mr. DAVIS. I do think it would certainly cost more.

Mr. BERGLAND. It would cost more if the obligation is placed upon the local units of government?

Mr. DAVIS. Because it is not spread evenly over our total population, as it would be with our national population.

Mr. BERGLAND. You made one excellent point in your presentation—several, in fact—upon which I would like to comment briefly. That

is the ability of the Department of Agriculture to buy in such quantities and at such times as will have a beneficial impact on the price of the commodities that are at bankruptcy levels from a producer's point of view. I have seen instances in which the Department of Agriculture entered the market to buy commodities for distribution and it had an immediate impact on price. It went up. Whereas if the voucher system were adopted, the impact would be diffused over several thousand local institutions and I doubt very much that we would see any price rise, at least not as dramatically as we see when USDA enters the market.

Are there any other questions?

[No response.]

Mr. BERGLAND. If not, we thank you very much for coming, Mr. Davis.

The next witness is Mr. Harold McGrew, the Director of the Food Stamp Program of the State of Nebraska, and representing the Nebraska Department of Public Welfare.

Mr. McGrew, we know you have an airplane to catch. We will see you are out of here in time.

STATEMENT OF HAROLD R. MCGREW, DIRECTOR, FOOD STAMP PROGRAM, STATE OF NEBRASKA; REPRESENTING THE NEBRASKA DEPARTMENT OF PUBLIC WELFARE

Mr. MCGREW. Very well, thank you. I will try to make my testimony fit that schedule also.

Mr. Chairman, committee members, I am Harold R. McGrew, Nebraska food stamp program director. I am representing Mr. Lawrence L. Graham, director, Nebraska Department of Public Welfare.

The testimony I am presenting is related specifically to the provisions of H. 12168 amending sections of the Food Stamp Act of 1964 and providing for the continuation of the authority of the U.S. Department of Agriculture to purchase foods on the open market for the support and continuation of the commodity distribution program for schools and institutions and other nutrition programs.

I would like to speak first to the provisions of the bill related to the food stamp program, and then to the provisions related to the commodity distribution program.

1971 amendments to the Food Stamp Act created an entirely different financial situation for the States than the provisions in sections 15 (a) and (b) were intended to cover. Under the provisions of section 10(c) (5) the outreach and quality control programs were added to certification and fair-hearing officials as eligible functions for Federal financial participation. However, the additional requirements for administration of (1) work registration, (2) 60-day continuation of eligibility, (3) public assistance withholding, (4) additional security measures, (5) increased accountability requirement, for example; maintenance of records, evaluation of quality control findings, corrective action and many more activities requiring support personnel and equipment that had not been given consideration until the introduction of S. 2871 and H. 12168 introduced by Congressman Melcher. One of the most time consuming for administrators and

beneficial to food stamp program participants is the semiannual adjustment of food coupon allotments. Twelve to fifteen million records must be changed every 6 months in addition to the regular certification and reviews.

These things I have mentioned are mandatory requirements placed into the law in the past 3 years and now the food stamp program itself is a mandatory program. Personally, I believe this is good. However, in many States, having a choice, chose the needy family program which is part of the commodity distribution program. Why such a choice? The commodity distribution program had been around for a long time due to the national farm surpluses and the USDA, Food and Nutrition Services, provided considerable financial support to the program in addition to the food items. In most cases 100 percent of the administrative costs of the needy family program, supplemental feeding program. It made little difference or no difference which program, food stamp or commodity distribution was more beneficial to a participating household, the food stamp program cost money to operate and the administrative costs were all paid by the State from State general fund appropriations, while the administrative cost of the needy family program was paid for by the Department of Agriculture, and in addition the eligibility requirements were less stringent.

Due to the factors I have listed it appears that legislation such as that provided by H. 12168 and S. 2871 must be provided if a viable nutrition program is to be maintained and expanded to meet the needs of the people.

The food stamp program is now mandatory in all States and in all counties of the States. Those States whose primary source of food program was the commodity distribution program are faced with a financial crisis in most cases due to the tremendous increase in requirement for State funds to administer the food stamp program in lieu of the commodity distribution program. Those States whose primary food program was the food stamp program are in financial difficulty due to the increased administrative requirements that are continually being placed upon the States by Congress and the U.S. Department of Agriculture.

The cost of conversion from the commodity distribution program and the cost of administering additional program requirements has amounted to millions of dollars that State legislatures must now appropriate over and above anticipated budget requirements and in most cases these dollars have to come from an already overburdened tax base.

All States need Federal financial assistance in administering the food stamp program beyond that 28 to 30 percent they are now receiving. Actually the administrative requirements to claim this percentage of return reduces the actual gain to about 24 to 25 percent. Lack of this support from the Federal Government isn't just a matter of not getting Federal support; it means that a good nutrition program, one that is benefiting millions, is not operating at potential and as a consequence there are and will be many eligible persons not receiving the nutritional benefit they are entitled to because a State or States cannot afford to tool up to adequately administer the program.

This has been a problem since inception of the program in 1964 and has become a greater problem since the President's Conference on Hunger in 1969. Waiting lines, client and worker frustrations, and claims of client abuse, fraud, program abuse, inadequate accountability, lack of responsiveness by the bureaucracy, responsible agencies are a direct result of inadequate funds for even minimal facilities and personnel to support the administration of the program.

With the reimbursement of 62.5 percent across the board for administrative costs of program operations, the States already in the program can expand operations to an effective and efficient level of operation without additional cost to the State and those States just beginning the program can begin at a reasonable level of effective and efficient operation that is required to meet program requirements and the needs of the people.

I have included statistics as attachments to this testimony which will relate the unreimbursed food stamp program administrative costs that States are now required to expand to administer the program.

Amendments to the Agriculture and Consumer Protection Act discontinued the commodity distribution program effective June 30, 1974. This provision in the bill concerning the needy family program was a progressive action. However, the deadline date established does not appear to be realistic due to the magnitude of program change for some States and the opportunity for adjustments and the provisions for either selling of food on Indian reservations in locations that are accessible to those persons living on the reservation or a transportation system that would provide accessibility to existing food retail sources by residents of the reservation.

All States we have been in contact with are concerned about the loss of the commodity distribution program for schools, institutions, and other feeding programs that rely heavily upon those foods made available through the program. There is no possible way for small schools, school districts, corporations, organizations or States to purchase at the retail or wholesale market as economically as the Federal Government can at the processor or wholesale level. The argument that it is too expensive for the Federal Government to purchase from the open market from the processor or the wholesaler in order to provide adequate numbers of different foods or quantities of these foods does not appear to be valid when compared to the cost of purchasing locally in a small market and in smaller quantities. The wholesale price of an item, must by necessity be greater than the processor cost and the purchase of items in carload and multi-carload lots is more economical than in any smaller quantity. Many States have developed facilities to process raw food materials received through the commodity distribution program into more usable food items. Small school districts cannot afford to employ purchasing agents to purchase the food items needed at competitive wholesale or quantity prices.

Food commodities provided by the Federal Government regardless of whether the purchase is to support prices or to remove surpluses will more reasonably assure a continued adequate nutrition program in schools and in other feeding programs at a reasonable cost per

meal. Cash-out by the Federal Government, unless cash participation is increased considerably, will assure that with rising food prices, schools and institutions and organizations providing meals in other programs will either have to reduce the number of meals prepared, reduce the quality of the food prepared and served, or reduce the quantity of food served in each meal in order to stay within budget limitations and available tax revenues. All of these factors will reduce the effectiveness of these much needed nutrition programs. Rapidly rising prices dictate economizing must be done if low cost meals or meals at no cost are to be continued. It is not likely that a local government would present a tax slate to their people requesting an increase in the mill levy for schools to provide for free or reduced priced meals to children from low income families nor would it be beneficial to feeding of the elderly if the cost of a meal had to be increased and thereby further reduce their available dollars for other living expenses. We feel that the statistics attached to this testimony will state our position and our reasons for this position of concern about the loss of the commodity distribution program.

The food programs—food stamp, school lunch, breakfast, elderly, summer camp, supplemental feeding programs—are all vital to the well-being of the people and the economy of the Nation. We further believe that the increased cost of purchasing food commodities by the U.S. Department of Agriculture to support these feeding programs and support of the food stamp program by additional financial support to the States for program administration will be more than offset in the future by the reduction in the expenditures for health care and related physical and mental health programs.

The State of Nebraska urgently requests your favorable consideration of the provisions of H.R. 12168 and passage of a bill by the Congress implementing all of the provisions of H.R. 12168 and S. 2871.

We also sincerely request that feeding programs are not transferred to the maze of programs now administered by the Department of Health, Education and Welfare. Food and agriculture programs are and should remain the responsibility of the Department of Agriculture. Nutrition and feeding programs are not money-benefit programs. They are not, we feel, programs designed to maintain an income level but to provide the health and energy necessary to want to learn, to want to get along better in their environment and with their fellow man, and last but certainly not least, to be independent contributing citizens.

Thank you, Mr. Chairman and members of the committee for the opportunity to present our views to you on this important legislation.

Mr. BERGLAND. Thank you very much, Mr. McGrew.

If there is no objection, the attachments you have provided will be made a part of the record, excepting exhibit B, I believe it is; a copy of a newspaper article, which we will have in the committee files. It is difficult to reproduce in the record.

Mr. MCGREW. That is fine.

[Exhibit B may be found in the files.]

Mr. BERGLAND. Are there any questions on this testimony?

[No response.]

Mr. BERGLAND. If there are no questions, we thank you for coming and presenting the committee with some useful and relevant information.

Mr. McGREW. Thank you for this opportunity.

Mr. BERGLAND. Thank you, sir.

[The referred to attachments follow:]

Exhibit A

STATISTICS CONCERNING UNREIMBURSED FOOD STAMP PROGRAM ADMINISTRATIVE COSTS

The State of Nebraska is very concerned about Federal reimbursement for food stamp program administration. At the present time we are spending annually in excess of \$643,263.00 in State appropriated funds and another \$196,500.00 in county appropriated funds to administer the program for a total of \$839,763.00.

Approximate nonreimbursable costs to the State and counties are:

1. ADP maintaining accountability and issuance of ATP cards.....	\$35,000
2. Support personnel.....	200,000
3. Security insurance and bond, etc.....	20,000
4. Facilities cost.....	6,500
5. Issuance.....	134,000
6. Postage.....	7,500
Total.....	403,000

Estimated maximum reimbursement under existing laws is \$272,976.00 leaving a balance of \$566,787.00 to be paid by State and county appropriated funds.

Estimates have been provided by USDA that the State should receive revenue from food sales tax on bonus coupons in the amount of \$200,000 annually.

15,800 households participating in the program with an average of three members per household would receive a food tax refund annually of \$474,000.00 under Nebraska law. Therefore, the free coupons issued that are provided by USDA do not provide an incentive for expansion of the program nor do they provide financial gain in regard to sales tax on food for Nebraska food stamp program administration.

However, the food programs do provide a definite economic benefit to the State throughout normal trade channels. It has been stated that the food stamp program increased the gross sales by retail food stores by 12.5% over sales made prior to implementation of the program in an area. It has also been stated that a one percent oversupply of food creates a four percent dip in prices. It appears then that expansion of the food stamp program to a greater percent of its potential would be advantageous to clients, business, agriculture, the entire socio-economic environment.

The full potential of the food stamp program to meet nutrition needs of eligible households cannot be accomplished in Nebraska without Federal financial support toward food stamp program administrative costs. If 62.5% Federal reimbursement is authorized, it would be possible for Nebraska to meet mandatory requirements of the Food Stamp Act, provide more effective program accountability and service to needy persons as we feel it should be done, but cannot provide due to inadequate funds to do so.

In summary, since the food stamp program is now considered a mandatory nutrition program and Congress has set forth mandatory program functions, tokenism can no longer be practiced as it was when food stamp program participation was voluntary at State, county and client levels. For Nebraska, 62.5% Federal participation in food stamp program administration is a must if we are to administer the program as required and as we want to administer the program.

SUMMARY OF NONREIMBURSED FOOD STAMP PROGRAM ADMINISTRATIVE COSTS, MARCH 26, 1974

The statistics provided in this summary were provided by the States named in support of Senator McGovern's bill S. 2871 and Congressman Melcher's bill

H. 12168 in the hopes that with this information a bill would be passed by the Congress that would include the provisions of the two bills previously mentioned.

The statistics provided herein were requested March 21, 1974 and were received by Food Stamp Subcommittee of the National Council of State Public Welfare Administrators (American Public Welfare Administrators) on March 26, 1974. 35 States responded. 3 States provided testimony to the Senate Agriculture Committee and 3 States did not have sufficient time to prepare adequate information.

The information requested was:

1. Issuance cost per transaction: Contract, mail, over the counter transactions.
2. Data processing costs.
3. Support staff cost: Clerical and supervisory.
4. Facilities costs: Special requirement for food stamp purposes.
5. Storage costs.
6. Security costs: Bonds, insurance, armored carriers, guards, etc.

The cost of certification, quality control, outreach, and fairhearing costs were purposely omitted since Federal reimbursement is available for these activities. However, this omission does distort somewhat the total State administrative costs that are not reimbursed. E.g.; support personnel for these activities that are not directly related to the activity but inadvertently must assume some of the workload.

Unfortunately the limited notice did not permit those reporting States to make an in-depth study of the costs reported, but they are ready to substantiate their information.

Costs listed are for fiscal year 1974 unless stated otherwise.

USDA, FNS Northeast region

Connecticut:

Data processing, storage and security	\$732,000
Issuance and support personnel	498,000
Total	1,230,000

Delaware (Just started program, costs are estimated):

Data processing	30,000
Support staff	151,400
Facilities	12,000
Storage and security	80,450
Total	273,000

Maine: Data processing, storage, security, and issuance

300,000

New Hampshire (Just started program):

Data processing (issuance)	769,000
Planning and development	11,000
Supporting staff (certification costs are included in this figure)	741,000
Total	1,521,000

New Jersey:

Data processing	189,900
Support staff	1,795,534
Postage (issuance at 45 cents per transaction)	970,000
Facilities	99,813
Total	3,055,497
(Federal participation)	97,344
Total	2,958,153

Vermont:

All food stamp program costs	825,000
(HEW reimbursement \$115,000, USDA reimbursement \$109,000)	224,000
Total	601,000

USDA, FNS Northeast Region—Continued

Rhode Island:	
Data processing-----	\$35, 000
Support staff-----	450, 000
Issuance at 65 cents per transaction (estimate)-----	156, 000
Total-----	641, 000

Virginia:	
Facilities-----	21, 000
Support staff-----	203, 000
Security-----	18, 900
Issuance at \$25 per issuance point and 75 cents per transaction---	423, 000
Total-----	665, 900

West Virginia:	
Data processing (issuance)-----	348, 000
Support personnel-----	110, 800
Facilities-----	356, 400
Storage-----	15, 800
Security (Wells Fargo)-----	1, 124, 640
Insurance and bond-----	7, 900
Safes-----	87, 000
Alarms-----	7, 900
Total-----	2, 059, 200

States not reporting: Maryland, New York, Massachusetts, Washington, D.C., and Pennsylvania.

USDA, FNS Southeast region

Florida:	
Issuance (salaries)-----	\$1, 259, 000
Security and storage-----	95, 000
Total-----	1, 354, 000

North Carolina: (Not statewide—does not include county money) issuance-----	400, 000
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Tennessee:	
Salaries and issuance-----	1, 054, 162
Security-----	2, 182
Total-----	1, 056, 344

South Carolina: Issuance at 80 cents per transaction-----	1, 142, 189
Mississippi: Issuance-----	1, 576, 188

Georgia: Not enough time to provide information.

Alabama: Not enough time to provide information.

Kentucky: No report (testifying on own).

USDA, FNS West Central region

Arkansas: Issuance (includes data processing, support staff, storage and security) \$1.50 per transaction-----	\$1, 184, 890
Colorado: Issuance (data processing, support staff, storage and security) \$1.90 per transaction-----	885, 100

Montana:	
Issuance (at 80 cents per transaction)-----	80, 000
Indirect cost (support)-----	8, 000
Total-----	88, 000

Louisiana: Support staff (data processing)-----	2, 560, 872
(Issuance, storage security etc. paid for by parishes) cost unknown on such short notice.	

USDA, FNS West Central region—Continued

New Mexico: Issuance (support staff, data processing) \$2.11 per transaction	\$1, 109, 273
Oklahoma: Issuance (at \$1.70 per transaction) (cost fiscal year 1975 \$1,297,817 at 68 cents per transaction for 160,000 or 42,105 H/H)	288, 343
South Dakota: Issuance (at \$1.80 per transaction)	108, 900
North Dakota: Issuance (at 80 cents per transaction)	30, 000
Texas: Issuance (at \$1.75 per transaction)	4, 250, 000
Utah: Issuance (at \$1.35 per transaction)	243, 627
Wyoming: Issuance (at 80 cents per transaction)	30, 000

USDA, FNS Midwest region

Missouri:	
Data processing	114, 851
Salaries	990, 878
Issuance and facilities cost	320, 485
Support staff	171, 933
Travel	18, 806
Total	1, 616, 953
Illinois:	
Support staff—general administration	3, 983, 113
(Does not include data processing costs; machine time, staff printing, or postage)	
(Does include issuance at 75 cents per transaction.)	
Postage (estimate)	259, 836
Total	4, 242, 949
Iowa:	
Data processing	50, 000
Salaries (cashiers/clerical-county)	500, 000
Security (insurance/bond)	15, 000
Storage/facilities	60, 000
Postage and supplies	30, 000
Support staff (State) area and State office	100, 000
Total	755, 000
Minnesota:	
Data processing	35, 000
Security and storage	48, 000
Issuance	259, 000
Total	342, 000
Michigan:	
Salaries and postage, ADP	3, 237, 980
Issuance at 80 cents per transaction	1, 519, 320
60/40 share county/State	4, 757, 300
(May have to be State operated only.)	
Kansas: Primarily "needy family" prior to Jan. 1, 1974. State operated program, 6 regions. Costs to the State have escalated so rapidly and have exceeded appropriation to such an extent that a rapid accounting is impossible. Cost will exceed \$1,000,000 for fiscal year 1974. Case load is expected to be about 22,000 households.	
Nebraska:	
Data processing (postage, ATP and accounting)	42, 500
Security (insurance bond, facilities)	26, 500
Issuance	134, 000
Support personnel (clerical and cashiers, etc.)	200, 000
Total	403, 000

States not reporting: Ohio, Wisconsin, and Indiana.

ATTACHMENT B
COMPARISON OF PRICES ON DONATED FOOD RECEIVED IN NEBRASKA (AS LISTED ON ATTACHMENT NO. 1)

Item of food	Section	Pounds	USDA ¹ per pound	Total value	OPS ² per pound	OPS ² total	Wholesale price ³ (Lincoln) per pound	Wholesale total	Percentage difference between col. 4 and 8
Beans, green, canned.....	32	83,600	0.17	\$14,212	0.22	\$18,392	0.24	\$20,064	41
Beans, pinto, dry.....	32	40,000	.25	10,000	0.67	26,800	.87	34,800	248
Beef, ground, frozen.....	6, 32	346,500	.96	332,640	1.00	346,500	.95	32,917	208
Bulgar.....	416	49,963	.12	5,996	.23	11,491	.37	18,486	84
Butter, print.....	416	1,046,920	.66	690,967	.84	879,413	.821½	858,474	23
Chicken, frozen.....	6	428,000	.47	219,960	.65	304,200	.47	219,960	None
Corn meal.....	416	50,400	.19	9,576	.23	11,592	.27	13,608	42
Corn, meal, yellow.....	416	39,700	.08	3,176	.15	5,955	.16	6,332	100
Cranberry sauce, jellied.....	32	172,115	.16	27,538	.26	44,750	.30	51,635	88
Egg mix, scrambled.....	416	19,764	1.48	29,251	1.48	129,251	2.05	40,516	39
Farina.....	416	63,000	.12	7,560	.17	10,710	.16	8,100	33
Flour (all types).....	6	3,315,550	.12	397,868	.17	563,645	.16	530,490	21
Grapefruit juice, frozen.....	416	144,000	.82	118,080	.92	132,480	.99	142,560	23
Margarine.....	416	148,864	.11	16,375	.16	23,818	.20	29,773	82
Milk, evaporated.....	416	115,200	.40	46,080	.40	46,080	.49	56,448	61
Milk, instant.....	416	139,200	.23	32,016	.23	32,016	.37	51,504	83
Oats, rolled.....	416	126,328	.66	83,377	.74	19,483	1.21	31,857	None
Orange juice, canned.....	32	134,800	.12	16,176	.19	25,416	.18	13,428	50
Orange juice, frozen concentrate.....	32	54,000	.30	16,200	.33	17,640	.49	26,208	63
Peanut butter.....	32	174,800	.38	66,424	.60	104,994	.76	132,992	100
Pears, canned.....	32	166,736	.23	38,349	.26	43,351	.34	56,690	48
Potatoes, french fried, frozen.....	32	52,836	.19	10,038	.20	10,566	.27	14,264	26
Poultry, boned, canned.....	6	30,000	.30	9,000	.24	7,200	.24	7,200	116
Rice.....	416	165,300	.69	114,067	.92	152,076	2.14	353,742	108
Rice cereal.....	416	77,900	.26	20,254	.42	32,718	.54	42,066	44
Salad oil.....	416	1,800	.36	648	.36	648	.52	936	88
Sweet potatoes, syrup, canned.....	416	171,009	.33	56,733	.41	70,114	.62	106,026	32
Tomatoes.....	6	38,250	.25	9,563	.27	10,328	.33	12,623	33
Turkey, frozen.....	32	168,272	.18	30,289	.22	37,020	.24	40,385	28
Vegetable shortening.....	416	408,414	.51	208,974	.58	294,058	.51	208,291	155
Total.....		8,812,535		2,677,277		3,681,943		3,704,111	63

¹ Average delivered costs per pound for foods purchased by USDA between July 1973 and March 1974.

² OPS—Omaha Public Schools—Prices paid during period of January through March 1974.

³ Wholesale prices derived from 4 wholesalers in Lincoln, Nebr.—April 1974. Note.—OPS and wholesale price figured on USDA price as local prices were not available.

DONATED FOODS RECEIVED AND/OR PURCHASED FOR NEBRASKA (AS PER DELIVERY ORDERS) JULY 1, 1973 THRU
APR. 15, 1974

Item of food	Unit size	Units	Pounds	USDA ¹ per pound	Total value
Beans, green, canned, 38 pound	6/No. 10	2,200	83,600	0.17	\$14,212
Beans, pinto, dry, 25 pound	25 pounds	1,600	40,000	0.25	10,000
Beef, ground, frozen, 55 pound	55 pounds	6,300	346,500	0.96	332,640
Bulgur, 48 pound	24/2 pounds	1,041	49,963	0.12	5,996
Butter, print, 32 pound	32/pound	6,000	192,000	0.66	126,720
Butter, print, 36 pound	36/1 pound	23,470	854,920	0.66	564,247
Chicken, frozen, 30 pound	30 pounds	15,600	468,000	0.47	219,960
Corn, canned, 36 pound	6/No. 10	1,400	50,400	0.19	9,576
Cornmeal, yellow, 50 pound	10/5 pounds	794	39,700	0.08	3,176
Cranberry Sauce, jellied, 44.2 pound	6/No. 10	3,894	172,115	0.16	27,538
Egg mix, scrambled, 18 pound	48/6 ounces	1,098	19,764	1.48	29,251
Farina, 21 pound	24/14 ounces	3,000	63,000	0.21	13,230
Flour, A-P, 50 pound	5/10 pounds	31,786	1,589,300	0.12	190,716
Flour, A-P 50 pound	50 pounds	23,865	1,193,130	0.12	143,176
Flour, baker's hard wheat bread, 100 pound	100 pounds	400	40,000	0.12	4,800
Flour, baker's hard wheat bread	Bulk		493,130	0.12	59,170
Frankfurters, frozen, 40 pound	4/10 pounds	3,800	144,000	0.82	118,086
Grapfruit juice, canned, 37.3 pound	12/No. 3	3,991	148,864	0.11	16,375
Margarine, 30 pound	30/1 pound	3,840	115,200	0.40	46,080
Milk, evaporated, 43.5 pound	48/14½ ounces	3,200	139,200	0.23	32,016
Milk, instant, 24 pound	6/4 pounds	1,097	26,328	0.66	17,376
Oats, rolled, 36 pound	12/3 pounds	2,200	79,200	0.09	7,128
Oats, rolled, 50 pound	50 pounds	800	40,000	0.09	3,600
Orange juice, canned, 37.3 pound	12/No. 3	2,000	74,600	0.12	8,952
Orange juice, frozen concentrated, 30 pound	12/32 ounces	17,829	534,870	0.30	160,461
Peanut butter, 41.24 pounds	6/No. 10	2,200	90,750	0.38	34,485
Peanut butter, 48 pounds	24/2 pounds	1,755	84,240	0.38	32,011
Pears, canned, 43.5 pounds	24/No. 2½	3,833	166,736	0.23	38,349
Plums, purple, canned, 45 pounds	do	1,174	52,830	0.19	10,038
Potatoes, french fries, frozen, 30 pound	6/5 pounds	1,000	30,000	0.19	5,700
Poultry, boned, canned, 43.5 pound	24/29 ounces	3,800	165,300	0.99	163,647
Rice, 50 pound	50 pounds	1,558	77,900	0.26	20,254
Rice cereal, 12 pound	12/1 pound	150	1,800	0.36	648
Salad oil, 46.2 pound	6/1 gallon	2,524	116,609	0.33	38,481
Salad oil	Bulk		54,400	0.33	17,952
Sweet potatoes, syrup, canned, 38.25 pound	6/No. 10	1,000	38,250	0.25	9,563
Tomatoes, canned, 38.25 pound	do	4,399	168,272	0.18	30,289
Turkeys, frozen, 43 pounds average	43 pounds	9,498	408,414	0.71	289,974
Vegetable shortening 50 pound	12/3 pounds	7,185	359,250	0.31	111,368
Total			8,812,535		2,677,277

¹ Average delivered costs per pound for foods purchased by USDA between July 1973 and March 1974.

FOODS PURCHASED BY USDA IN NEBRASKA, IOWA, AND KANSAS, FOR DISTRIBUTION TO CHILD NUTRITION AND
INSTITUTIONAL PROGRAMS IN NEBRASKA, JULY 1973-APRIL 1974

Category ¹ and item of food	Number of pounds	State
1 Beef, frozen, ground, 55 pounds	30,500	Nebraska.
2 Bulgur, 48 pounds	50,016	Do.
2 Butter, 32 pounds and 36 pounds	1,113,948	Iowa.
2 Cornmeal, 50 pounds	39,700	Nebraska.
3 Farina, 21 pounds	63,000	Iowa
2 Flour, all-purpose, 50 pounds	1,399,500	Kansas.
Do	1,398,000	Nebraska.
1 Flour, baker's hard wheat (bulk)	493,130	Do.
2 Frankfurters, frozen, 40 pounds	76,000	Do.
1 Margarine, 30 pounds	115,200	Do.
2 Oats, rolled, 50 pounds	40,000	Iowa.
1 Poultry, canned, 43.5 pounds	147,900	Do.
1 Turkey, frozen, 43pounds, average	140,000	Do.
Totals:		
Nebraska	2,202,546	
Iowa	1,504,848	
Kansas	1,399,500	
Grand total	5,106,894	

¹ Category of issues: 1—To schools; 2—To schools and institutions; and 3—To supplemental feeding program.

Mr. BERGLAND. Our next witness is Dr. Raymond Steinert, director, the School Lunch Program, Nebraska Commission on Education, Lincoln, Nebr.

Dr. Steinert, we are delighted to have you, sir.

STATEMENT OF DR. RAYMOND STEINERT, DIRECTOR, THE SCHOOL LUNCH PROGRAM, NEBRASKA COMMISSION ON EDUCATION

Dr. STEINERT. Mr. Chairman, members of the committee and friends: It is a privilege and an honor to present the following report to this committee. I wish to express my appreciation for the opportunity to do so.

As the fiscal year 1974 ends in June, so does the authority of the U.S. Department of Agriculture to purchase food on the open market. Without this authority it will make little difference how much money is budgeted in sections 32 and 416.

In Nebraska, there are only 18 school districts which feed more than 1,000 children and only three districts serving more than 4,000 students. These are District No. 66 of Omaha with 6,400; Lincoln Public School System with 15,500 and Omaha Public School System with 38,400. On the other hand there are almost 200 school districts feeding less than 100 and 800 schools with a total enrollment of 25 children or less. It has been estimated that the 7 cents per meal now received in donated food would only purchase 2 cents worth of food if purchased by local school districts. The U.S. Department of Agriculture has a buying power than cannot be achieved by these individual schools or even the individual States. This year we have already received 20,000 cases of concentrated orange for distribution to schools participating in the national school lunch program in Nebraska.

Over the past year as the average price of lunches rose 5 to 10 cents, more than 8,000 children from middle-income homes dropped out of the school lunch program. Many of these children are losing the good nutrition they greatly need, especially since they may no longer receive all they require at home. In addition, almost 50 percent of the mothers are working outside of the home and a large number of children are being bused to school which means many of the school children are depending on the school lunch program more than ever. It is true that there are some very nutritious foods available for a reasonable price but people must be educated in choosing the proper foods. The school lunch program has been part of that educational function for a good many years. Now that funds have been made available for nutrition education in recent years, this program is becoming an even more important factor. We believe that Nebraska has one of the best nutrition education programs in operation at the present time.

The Government commodity and child nutrition programs are a part of our Nation's farm economy. Fiscal year 1973 was an extremely poor year as to the amount of food purchased by USDA for its various feeding programs. Nevertheless, it did purchase from

processors in Nebraska over \$15,700,000 worth of food which included the following:

Flour, all-purpose-----	\$9, 000, 000	Dry beans-----	\$1, 000, 000
Flour, baker's hard wheat_	1, 300, 000	Corn meal-----	400, 000
Bulgur-----	100, 000	Scrambled egg mix-----	900, 000
Macroni-----	1, 300, 000	Pork, frozen-----	3, 000, 000
Turkey, frozen—less than_	100, 000		

This fiscal year USDA purchased for distribution in Nebraska more than 3,300,000 pounds of flour. Let there be no misunderstanding, if USDA does not continue to purchase flour for the schools in this State, that do their own baking or through baking contracts use donated flour, the consumption next year will be much less because they are no longer able to afford bread products in the quantities to which they are accustomed. In Nebraska we consider bread a basic food item. However, with the additional cost, the amounts which have been used in the past would certainly be considered a luxury.

For these reasons I do not agree that the Federal Government should get out of the commodity procurement. I do not believe that most schools could buy the same quality of products for lesser price than can the Government; nor do I think that if the USDA did not buy foods it would be willing to add the money formerly spent on the commodity administration to the present amount appropriated for commodities and give it all to schools in cash. In fact, the 7 cents would only purchase approximately 2½ cents' worth of food if purchased locally.

This month the superintendent of Nebraska's largest school district has stated that the school board has few alternatives in dealing with the problem of fewer commodities and inflation next year. These are raising the prices, modifying the menu with cheaper foods, or establishing a local levy to offset the cost. This same school district is the only one out of the 1,510 public and nonpublic school districts in the State that has the personnel and means to write specifications, take bids, and perform can cutting on vegetables and like products. The Federal Government has been doing an excellent job of this for years. The USDA specifications are exemplary and rigidly inspected. The USDA is able to purchase in large volume and take advantage of market conditions which cannot be duplicated by individual school districts.

This director spent a great deal of time with the Omaha public school food service director last week in preparation for that district's food service budget request. Figures show that this district alone will lose more than \$500,000 if the commodity distribution program is discontinued. Attachment 1, identical to that shown in Mr. McGrew's testimony (see p. 80), the cost of food items per pound on a volume basis to Omaha public schools as compared to the cost per pound paid by the USDA. The Omaha public schools, even with elaborate and sophisticated purchasing expertise must pay 22 cents per pound more for peanut butter than does the USDA for this basic food item. The Lincoln public schools must pay 38 cents per pound more than does the USDA for the same item. In

only one instance is Omaha able to purchase at a lesser cost per pound than the USDA, that of boned, canned poultry.

With the new minimum wage increase and other increasing costs, the Omaha board of education will be asked to budget more than \$900,000 for food service alone. In view of this need, the budget hearing committee has asked the Omaha food service director to find alternatives to the type-A pattern. This can only mean that the board will be considering an a la carte system. If this happens, more than 38,000 children who this year received nutritious lunches daily at a cost of 40 cents will be forced to pay the full cost of food plus preparation and other costs for a la carte items or bring less nutritious sack lunches from home. Without donated commodities this school district with its 92 school lunch programs will most certainly be forced to drop out of the national school lunch program.

In the more than 800 school districts feeding less than 100 children daily, many managers are forced to purchase all or nearly all of the food locally. In many instances there is only one grocery store in town so competition is eliminated. Food supply companies concentrate their efforts in less sparsely populated areas. Per meal cost analysis reports received in the State office last week reveal that many of these schools are paying in excess of \$1.10 per pound for ground beef. Other food costs are equally as high while many items currently available through the commodity distribution program are not available at all in small towns. In some instances some items can be ordered in bulk through the local grocer, in which case any reduction in price is eaten up by special order changes. Smaller schools across the State can expect to pay 60 percent more on the open market than the USDA pays for the same product. In some instances, such as vegetable shortening, they must pay 155 percent more. [See attachment 1.] Under these present conditions of increased operating costs, the loss of donated commodities would increase costs once more, thus the largest number of children in Nebraska—those from the middle-income families—will be priced out of the program. The minority group—those from the high-income families—are refusing to pay the increased costs. They prefer to spend an equal, or even greater amount for less nutritious food that is more to their liking. Both of these groups are economically essential to continued operations of the program. It must be kept in mind that poor nutrition knows no economic barriers. Children from high-income families are often as poorly nourished as those from low income families, sometimes worse. All school programs, including the national school lunch program, must be operated for the benefit of all children. They cannot be justified on any other basis.

Secretary of Agriculture Butz is recommending that the commodity program be transferred to the Department of Health, Education, and Welfare. If the commodity program is terminated and whether or not it is transferred to the Department of HEW, the farmers and ranchers who need immediate help will never receive it if the bureaucratic system is going to distribute cash or coupons. By the time it has been determined in Washington how many coupons to make available for distribution to the regional offices, to the State offices and then to the local school districts, the situation

would certainly be graver than when they first began printing coupons.

Few schools would be able to sustain their school lunch program until they began receiving money if the entire program was operated with appropriated funds that would not be received until one-fourth or one-half of the school year had already been conducted. Schools in Nebraska received their first milk reimbursement with the December school lunch reimbursement. However, they began receiving their monthly allocation of donated food during the last week of August. Schools simply could not operate if cash was not forthcoming in August. In Nebraska, State law prohibits advanced cash payments to schools.

This year there will be approximately an additional 10 million acres in production. What would happen if our Nation would again have surpluses or commodities that need price support? It seems only logical that the Federal Government would be called upon to relieve the situation. It has not been too many years ago when potatoes were piled in huge mounds and kerosene poured over them. Milk was dumped into the streets and hogs were driven into trenches and shot. We do not question or judge any of these practices, but I do ask this question for your thoughtful consideration: Is this the procedure to which we wish to return?

If we are not willing to spend money feeding our youth through the school lunch program then our priorities have surely gone astray. Furthermore, due to the magnitude of the agricultural situation it would be most foolhardy to think that cash reimbursement and the food stamp program will utilize all overproduction of agricultural products. Finally, if the commodity distribution program is to be discontinued, thousands of children will be less well nourished.

Mr. BERGLAND. Thank you very much, Dr. Steinert. Are there questions or comments by any members of the committee?

Mr. GOODLING. One question, Mr. Chairman.

You say people must be educated in choosing the proper foods. What are you doing in that line of educating them?

Dr. STEINERT. We have in the State of Nebraska right now one of those projects which were allowed under section 6 last year by the Department of Agriculture for nutrition education. This is administered through the Department of Education. We think we have the best project now going in any of the States.

We are trying to get out into the schools, which we did as a study last year, providing education material to children on nutrition: If they had a choice, which foods would they pick, which foods would provide them the most nutrition at the least price, this kind of thing. We have asked to have this project continued next year by the Department of Agriculture. We feel that there is a good chance that it can be continued and made available to other schools.

We have also this year—you may have heard of Carol Cutler's nutrition education program which is in the technical colleges in Nebraska. We are now making it available in eight technical colleges, nutrition and nutrition education, what foods to buy.

For example, some of the things that we are doing, the little 15-cent pack of potato chips which we see so often in cold lunches brought from home. There is about half an ounce in there. If you

figure that out, that is \$4.80 per pound for a food that is nutritionally practically niling. We are making these courses available to homemakers, to school lunch managers, to anyone who desires this kind of a thing in night courses and also in day courses in the technical colleges in Nebraska.

Mr. GOODLING. I suppose I should not agree to the potato chip deal, since my particular congressional district probably makes as many potato chips as any other congressional district in the entire United States. But I do agree with you.

I had a reason for asking you the question on education. When we were considering the agriculture bill of 1973, the food stamp section, I had a letter from a very irate businessman in my area. His blood pressure was high, I can assure you. He had just followed a person through the checkout counter of the supermarket and the lady had absolutely nothing in that cart of hers but lobster tails. She paid for them with food stamps.

I trust you people do not educate your people to buy lobster tails with food stamps. There are better values to stretch the dollar.

Dr. STEINERT. I doubt that they are available in most grocery stores in Nebraska, but I have seen the same type of thing, trying to pay for True Confessions magazine, for instance, with food stamps, this kind of thing.

We do hope that we are getting to at least the youth. We are starting with the elementary level at about third grade. Last year, fourth grade, fifth, and sixth and we hope to extend this in the junior high and senior high, hoping to educate these young people. If a sprig of parsley is made available on the plate, that is enough vitamin A for all day. Yet very few people ever eat that little sprig of parsley.

Things like this that they should know we hope we are getting to them with this kind of information.

Mr. GOODLING. That is all, Mr. Chairman.

Mr. BERGLAND. Thank you very much, Mr. Goodling.

Any other questions or comments?

[No response.]

Mr. BERGLAND. If not, Dr. Steinert, we are glad you have come today. Your information is very useful.

I have a question on the charts you attached, in one of which you described the relative costs of commodities. I noticed in the case of turkey, for example, the average USDA cost was 71 cents per pound and in April of this year, the local retail cost in Lincoln, Nebr., was 51 cents, or a drop of 28 cents. I suppose that drop in price at the local retail level reflects the recent decline in the price of live turkey.

Dr. STEINERT. This is true, of course.

Mr. BERGLAND. This comparison would not necessarily hold true now if the USDA were to buy turkey. It would be something under the 51 cents.

Dr. STEINERT. That is correct. One of the problems when you do somethink like this, we were able to get the prices from USDA when they purchased. These prices for Omaha public schools were when they purchased, but the wholesale price in Lincoln is a current price as of last Thursday. So you see the price has in some

items either come up or gone down. And Nebraska is quite a large turkey producing State and the price of turkey has declined considerably.

Mr. BERGLAND. Thank you again, Mr. Steinert.

Dr. STEINERT. Thank you.

Mr. FOLEY [presiding]. The next witness will be Mr. Charlie Trimble, executive director, National Congress of American Indians.

**STATEMENT OF CHARLES TRIMBLE, EXECUTIVE DIRECTOR,
NATIONAL CONGRESS OF AMERICAN INDIANS**

Mr. TRIMBLE. Mr. Chairman, may I have a couple of colleagues from the United Navajo Tribes accompany me?

Mr. FOLEY. If you will introduce them to the subcommittee.

Mr. TRIMBLE. Yes, sir.

On my left is Mr. Lewis Eskeets, who is from the Donated Foods Department of the Navajo Tribe and on my right is Ms. Peggy Barnett, who is with United Southeastern Tribes in their Health and Welfare Section.

Mr. Chairman, if I may, I will provide an overview statement and my two colleagues will present brief statements regarding their areas in more detail.

Mr. FOLEY. Thank you.

Mr. TRIMBLE. Mr. Chairman and members of the committee, my name is Charles E. Trimble, executive director of the National Congress of American Indians, the oldest and largest Indian organization in the United States. On behalf of NCAI, I express appreciation for this opportunity to appear before you regarding this legislation.

In August 1973, P.L. 93-86, the Agriculture and Consumer Protection Act, was passed, calling for implementation of the nationwide food stamps program. This act also called for the phasing out of the family commodity distribution program as of June 30, 1974. This law included the phasing out of commodity distribution programs and the institution of food stamps program on Indian reservations as well.

Responding to concerned Indian tribal welfare workers who foresaw much confusion and turmoil in the premature transfer from commodities to food stamps programs on reservations, the National Congress of American Indians sponsored a small meeting last January, bringing together tribal welfare program representatives, government officials, and congressional staff representatives.

A position paper was drawn up at that meeting defining the problems and suggesting remedies to those problems. I shall quote extensively from the paper and ask that that paper, in form of a letter to the Secretary of Agriculture, Earl Butz, be placed in the official record of this hearing.

Mr. Chairman, that letter is attached to my testimony.

Mr. FOLEY. Without objection, so ordered.

Mr. TRIMBLE. It is our understanding that, under present law, the states run the food stamps programs. But, in the State of North

Dakota, the State refuses to administer the programs on Indian reservations.

According to the North Dakota food stamp director, a Mr. Conrad Moe, the Department of Agriculture holds the State accountable for program losses due to fraud, but the State has no legal jurisdiction to prosecute food stamp fraud cases within the reservations.

Such hesitance on the part of States is not always based on such apparently justified legal cause, however. A number of States have long sought jurisdiction on Indian reservations as a means to impose taxes on reservations and to open up those lands for exploitation. Tribes could become extremely vulnerable to such cruel blackmail by States that would literally starve tribes into submission to State jurisdiction by withholding food stamp services from them in the absence of an alternative welfare food delivery system.

Even in cases where States have expressed good faith in cooperating with Indian tribes, there exists an unwillingness to extend the programs physically onto reservations. This unwillingness is apparently due to the added costs to the State and their inability to recoup such costs under the present Federal/State schedule. Under the present conditions Indian people are invited into the off-reservation border towns for food stamp services where, more often than not, they face harsh discrimination. Such discrimination would increase when Indians are "on their knees" seeking services to which they are fully entitled.

It is our understanding that seeking certification for food stamp program eligibility in off-reservation border towns is a traumatic experience for Indian people. Certifying agents of non-Indian extraction seldom understand the cultural, economical, or legal situation of Indian people. An Indian person who owns land or shares in tribal assets is not necessarily financially independent. Nor are Indian people per capita recipients of "all that money the Government gives Indians." On the contrary, Indian people are on the lowest rung of the national economic and social ladder. Yet, such misconceptions of Indian people prevail at large among non-Indian neighbors in off-reservation border towns.

Mr. FOLEY. Mr. Trimble, I am sorry to interrupt your testimony, but we have a series of bells indicating some Floor action at this time. I am going to recess the committee for a few minutes while we answer the call and we will resume your testimony when the subcommittee resumes its sitting.

[Recess.]

Mr. FOLEY. The ad hoc subcommittee will resume its sitting.

Mr. Trimble, you may continue now.

Mr. TRIMBLE. Thank you.

Nor is the overall problem with off-reservation border towns only that of race and culture. Mr. Howard Tommie, chairman of the Seminole Tribe of Florida, in a letter to NCAI, described some of the problems of logistics:

Often the local food stamp office which services the Hollywood reservation has an 8-hour waiting line. In fact, clients who have waited in line from 7 a.m. to 3 p.m. are often told to come back the next day. When they return the following day, there is no assurance that their application will be received. Some

clients have waited in line for 2 or 3 days. This procedure poses an additional problem for the elderly who may not be able to withstand the physical strain or are unable to get an interpreter to accompany them for such extended periods of time.

It should be noted that on occasions, clients have been unable to budget their money so that they can purchase food stamps at a given time. Should they fail to purchase food stamps in any month, subsequently, they are removed from the food stamp rolls and must go through the certification procedure all over again.

Even without discrimination and misconceptions, forcing Indian people to go off the reservations for certification and food stamp purchases poses a financial and physical hardship. Without any form of public transportation on many reservations, travel on most reservations is sufficiently costly to virtually negate benefits of the bonus food stamps. With the continuing energy crisis, travel for many reservations could become almost impossible.

Such are the manifest problems with State administration of food stamp programs instituted for Indian reservations in the short time since the passage of P.L. 93-86 last August.

More importantly, however, tribes are philosophically, legally and justifiably opposed to mandated control over reservations by State governments. Tribes have a unique relationship with the Federal Government, with a special status at least equal to the several States; and most tribes have proven their capability to administer very complex programs involving large sums of money.

Recognizing that in his historical Indian message to Congress of 1970, President Nixon pledged extensive governmental development and economic development measures for tribes. Forcing tribes under State control in the food stamp program, without option to administer the programs themselves, subverts the self determination initiative of the Administration and Congress. And forcing Indian people off the reservation for the purchase of the stamps encourages the expenditure of the stamps in off reservation towns, thus subverting reservation economic development as well.

It is obvious that legislation and policy directives are needed to correct the deficiencies of the food stamp program for Indian reservations. Effective legislation and administration regulations take time, particularly in Indian affairs, where consultation and intertribal deference are of paramount importance. In view of this, the National Congress of American Indians supports proposed measures to extend the commodities distribution program on Indian reservations during an adequate transition period. To us an adequate transition period is more like 2 years. In existing law and in proposed legislation, consideration was not given to the total lack of ancillary systems which make food stamp programs workable in other areas: these include the lack of public transportation systems on Indian reservations; lack of personal mail boxes that are required for official communication between case worker and client; lack of discount or reasonably priced markets; and lack of nearby welfare offices.

In addition, provisions are needed for a major communication effort to inform Indian people on the food stamp program itself, on basic economic matters and on nutritional matters. Such informa-

tion, effectively disseminated, can help Indian people make the most of the food stamp program and lessen their vulnerability to exploitation by unscrupulous traders with regard to food stamps.

In light of this, and getting away from my prepared testimony, Mr. Chairman, we have a proposal for a national effort to inform and educate tribes and members of those tribes. We are hoping to get the money, and many tribes will be seeking money through the Emergency Food and Medical Services Office of OEO. We are seeking support from the Hill at this time to increase the budget for the Emergency Food and Medical Services Office of OEO for this year. I understand that Indians and migrant projects will only get something like a million dollars this year, considerably less than they have gotten in the past.

Now the programs resulting from this transition to food stamps indicate that they should have much more to work with.

Now, Mr. Chairman, regarding the proposed legislation, we comment this committee for its proposed extension of the commodities food distribution program, and we are supportive of its lengthy period for transition. We are also concerned that the Department of Agriculture will not necessarily live up to their mandate to provide such foods. The Department of Agriculture steadfastly maintains that commodities is a dead issue; if not because of their inability to purchase on the open market for extended periods of time, then because of a projected lack of surplus foods at all. The prevailing attitude in agriculture is that "we can extend the commodities program as long as you want, but we hope the Indians love peanut butter."

NCAI expresses its concern that proposed legislation extends beyond what is necessary to resolve the Indian food problem in its provisions for additional funds for State administration of their programs. We feel that these provisions to relieve the States of administrative costs would render the bill vulnerable to strong administration opposition, and possible veto, because of additional massive budget requirements. We ask that Indian people, who are in the most difficult straits in this issue, not be trapped in a political pincer.

We endorse the provision for tribal option in administering the food stamps program themselves. This is consistent with the self-determination policies of the Congress and the administration.

Finally, Mr. Chairman, the fact that we are here today to work together for the resolution of a deplorable problem of poverty and malnutrition says something in itself. But we must continue to work for the resolution of all of the problems, only one of which is malnutrition. There are bills pending before both Houses of Congress that would provide basic economic development for Indian tribes, that would improve the housing conditions for Indian people, that would provide for better health services, and that would protect Indian lands.

We commend you for your efforts in this matter before us now. But we strongly urge your support for the many other pieces of legislation designed to help our people.

Thank you.

Mr. Chairman, that concludes the statement of the National Congress of American Indians. I would request that my colleagues be heard, beginning with Mr. Eskeets.

[The above referred to letter follows.]

NATIONAL CONGRESS OF AMERICAN INDIANS,
Washington, D.C., January 15, 1974.

Hon. EARL BUTZ,
Secretary,
U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: The National Congress of American Indians expresses deep concern, on behalf of its member Tribes, regarding the impending closure of the commodities food assistance program and the premature imposition of state-controlled food stamp programs on various Indian reservations.

A meeting was held in Denver, Colorado, January 11, 1974, to discuss some of the problems inherent in the food stamps program for Indian reservations. In attendance at that meeting were representatives from Indian Tribes, the Department of Agriculture, the Department of Health, Education and Welfare, and other national Indian organizations including the National Tribal Chairmen's Association, the National Indian Law Center, and the Native American Rights Fund. Following is a basic summary of the problems and some recommendations for remedial action:

Some states refuse to administer food stamps programs on Indian reservations for lack of legal jurisdiction on the reservations. According to Mr. Conrad Moe, Food Stamp Director for the State of North Dakota, the Department of Agriculture holds the state accountable for program losses due to fraud, but the state has no legal jurisdiction to prosecute food stamp fraud cases within the reservations. It is likely that other states present similar arguments in refusing food stamp programs to Indian people.

Such hesitance on the part of states is not always based only on such apparently-justified legal cause. A number of states have long sought jurisdiction on Indian reservations as a means to impose taxes on reservation lands held in trust, and to wrest those lands by default in the many cases where Indian people are not able to pay the taxes. Tribes could become extremely vulnerable to such cruel blackmail by states that would literally starve Tribes into submission to state jurisdiction by withholding food stamps services from them in the absence of an alternative food delivery system.

Even in cases where states have expressed good faith in cooperating with Indian people, there exists an unwillingness to expand the programs physically onto reservations. Instead, Indian people are invited into the off-reservation border towns where, more often than not, they face harsh discrimination. Needless to say, such discrimination increases when Indians are "on their knees" seeking services to which they are fully entitled.

In an off-reservation border town in Idaho, a bank is alleged to have declined to be a distribution or sales agency for food stamps because it did not wish to "have hippies and Indians on its premises."

It is our understanding that seeking certification for food stamp program eligibility in off-reservation towns is a traumatic experience for Indian people. Certifying agents of non-Indian extraction seldom understand the cultural, economical, or legal situation with Indian people. An Indian person who owns land or shares in Tribal assets is not necessarily financially independent. Nor are Indian people per capital recipients of "all that money the Government gives Indians." On the contrary, Indian people are on the lowest rung of the national economic and social ladder. Yet, such misconceptions of Indian people prevail at large non-Indian neighbors in the off-reservation border towns.

Nor is the overall problem with off-reservation border towns only that of race and culture. Mr. Howard Tommie, Chairman of the Seminole Tribe of Florida, tells of some of the very common problems of logistics: "Often the local food stamp office which services the Hollywood Reservation has an eight-hour waiting line. In fact, clients who have waited in line from 7 a.m. to 3 p.m. are often told to come back the next day. When they return on the following day, there is no assurance that their application will be received. Some clients have waited in line for two or three days. This procedure poses an additional problem

for the elderly who may not be able to withstand the physical strain or are unable to get an interpreter to accompany them for such extended periods of time."

It should be noted that on occasions, clients have been able to budget their money so that they can purchase food stamps at a given time. Should they fail to purchase food stamps in any month, subsequently, they are removed from the food stamp rolls and must go through the certification procedure all over again."

Even without discrimination and misconceptions, forcing Indian people to go to off-reservation border towns for certification and food stamp purchase poses a financial and physical hardship on them. Without any form of public transportation, travel on most reservations is costly enough to virtually negate the benefits of food stamp assistance. With the looming energy crisis, travel for many reservation people will become impossible.

Such are the manifest problems with State administration of food stamp programs instituted for Indian reservations in the short time since the passage of Public Law 93-86 last August.

More importantly, however, Tribes are philosophically, legally, and justifiably opposed to mandated control over reservations by State governments. Tribes, in their unique relationship with the Federal Government, are governments with sovereign status at least equal to that of the several states. And most Tribes have proven their capability to administer very complex programs involving large sums of money.

Recognizing this in his Indian Message to Congress of July 8, 1970, President Nixon pledged governmental development and economic development assistance to Tribes. Placing Indian Tribes under state control in the food stamp program, without option to administer the programs themselves, subverts the self-determination initiative of the Administration. Forcing Indian people to off-reservation border towns for the purchase of food stamps encourages the expenditure of the stamps in those towns as well, thus subverting reservation economic development through circulation of capital within the reservations.

It is obvious that legislation and policy directives are needed to correct the deficiencies of the food stamp program for Indian reservations. Effective legislation and administrative action takes time, particularly in Indian affairs where consultation and inter-Tribal deference are of paramount importance. In view of this, the National Congress of American Indians hereby requests an extension of the Commodities Food Distribution Program from June 30, 1974 to June 30, 1975. We feel that language in P.L. 93-86 provides for such contingencies in situations that are "impracticable or impossible"—which reservations appear at this time to be.

Time is needed to devise a workable food stamps programs for the very unique situations on Indian reservations—situations which were apparently not taken into consideration in the development of P.L. 93-86 nor in the various State plans.

In existing legislation, consideration was not given to the total lack of ancillary systems which make food stamp programs practical in other areas. These include: lack of public transportation; lack of personal mail boxes that are required by law for official communication between case worker and client; lack of discount or reasonably-priced retail markets; and lack of nearby welfare offices.

In addition, provisions are needed—and not provided for in existing law—to inform and educate Indian people on the food stamp program itself, on legal implications, on basic consumer matters, and on nutritional matters. Provisions, both legislative authority and appropriations, are needed for such educational and informational programs.

In summary, then, the following measures are suggested by the National Congress of American Indians:

- (1) Extend the existing commodity food distribution program from June 30, 1974, to June 30, 1975.

- (2) Modify P.L. 93-86, or create new legislation, adapting the food stamp programs to better serve Indian reservations—including provisions for options for Tribal administration of the program, ancillary services development, and educational/information services.

In addition, some Tribes in which food stamp programs have been imposed prematurely by the states are faced with impending hardship. The Nez Perce

Tribe of Idaho reports that food stamps have been imposed on four of the five counties comprising their reservation. In these counties, the commodities distribution program has been discontinued. Due to difficulties in getting Indian people certified, very few people are able to take advantage of the food stamps and the Tribe is faced with impending problems hunger and malnutrition. Other Tribes are undoubtedly faced with the same problems. We hereby request that your office survey the Tribes in which the food stamps program has been instituted prematurely, and take appropriate actions to initiate emergency measures to provide food to these Tribes.

We respectfully request your immediate attention to this crucial matter. We also request an immediate meeting with members of your staff, particularly Mrs. Clayton Yuetter, Edward Heckman, and John Harris. We would also like to have a representative of the Department of Agriculture make a presentation to our Executive Council, which is comprised of representatives from each of our more than eighty member Tribes, on January 23, 24, or 25, 1974.

We look forward to working with the Department of Agriculture on this important matter and on matters of benefit of Indian people.

Sincerely,

CHARLES E. TRIMBLE,
Executive Director.

Mr. FOLEY. Mr. Eskeets, we will be very happy to hear from you.

STATEMENT OF LEWIS ESKEETS, DONATED FOODS DEPARTMENT OF THE NAVAJO TRIBE

Mr. ESKEETS. Mr. Chairman, my name is Louis Eskeets of the Donated Food Department of the Navajo tribe. On behalf of the Navajo tribe, I express appreciation for this opportunity to testify before you on this crucial matter.

You have heard testimony of other Indian tribes and I would like to speak on problems we have experienced on the Navajo reservation. Our problems are effectively outlined in a letter from Mr. Marshall Tome of the Office of Operations of the Navajo tribe to the Office of Economic Security of the State of Arizona. I respectfully request that this letter be entered into the record of this hearing.

Mr. FOLEY. It will be included without objection.

(At the time of printing the letter had not been received.)

Mr. ESKEETS. In May of 1973, a study was made for the Navajo tribe to analyze the commodities food program and the proposed food stamp program as they affect the Navajo people. The following are some points brought in that study:

Since participants do not receive their stamps free, they must come up with regular cash payments for their stamps. Lack of monthly income is a great problem on Navajo, since much of the income is seasonal. Despite the fact that USDA permits families to purchase as little as one-fourth of their stamps four times a month, it still requires a fair degree of cash budgeting which many families are not accustomed to. Four monthly purchases may mean easier budgeting, but it also means four trips to the stamp issuance center which might be impossible for some families on our large reservation.

Since many families must rely upon trading posts as their primary retail outlets, the real benefits of their food stamps may be even less. An economist testified before the Federal Trade Commission that Navajos in Arizona pay some 27 percent more for groceries on the average than other Americans.

Since families do have the choice to purchase any food items they wish, the burden of providing themselves with a nutritious, well-balanced diet is on them. But without refrigeration or storage, it has been observed that Navajo people tend to purchase many convenience foods which are often more expensive and many times less nutritious than other foods.

There are few retail outlets on the Navajo reservation—only one-fifth the number of retail establishments per 1,000 population as compared to the State of New Mexico. This means that the Navajos must travel long distances to redeem their stamps.

Certification is a very complicated process since cash payments eligibility must be determined. Potential participants must complete a lengthy application form and be interviewed in order to be certified and recertified. Where there are many people who cannot read, and some who cannot speak English, this becomes an even greater problem.

Our studies conclude that, because of these problems, the premature switch from commodities to food stamps would be disastrous as this time.

However, we understand that the food stamp program is in the future for Indians and may eventually be beneficial to Indian tribes. With this in mind, the Navajo tribe has completed a plan of operation for the implementation of the food stamp program on the Navajo reservation.

We certainly support proposed legislation to provide for tribal option to administer food stamp programs with full administrative funding support from the Federal Government for the administration. We support the provisions of the proposed legislation to extend the commodities distribution program for an additional period of time to allow tribes to adapt to the new food stamps system.

Mr. Chairman, an important provision should be made to inform Indian people, potential recipients of the food stamp program, on the processes of the very complex food stamp program. The Navajo tribe has taken great initiatives in this respect—devising Navajo oriented brochures and booklets to inform the people on the program. In addition, we have a Navajo language radio and television program to instruct the people on how to benefit by the program. We realize, however, that many other tribes are not as fortunate as the Navajo in having such resources for the distribution of information.

In this respect, I would like to request that this Committee support measures for an increased budget for the Emergency Food and Medical Services Office of OEO to provide funds to tribes to help them adapt to the food stamp concept. The EFMS has been very helpful to the Navajos in this regard and we would like to see other tribes helped in this way.

Mr. Chairman, this concludes my statement and, again, I thank you for this opportunity to testify before you.

Mr. FOLEY. Thank you, Mr. Eskeets. We appreciate your testimony.

Ms. Barnett, do you have a statement? We will be very happy to hear you.

STATEMENT OF PEGGY BARNETT, TRAINING OFFICER, UNITED SOUTHEASTERN TRIBES

Ms. BARNETT. Mr. Chairman and members of the committee, my name is Peggy Sarracino Barnett, training officer, United Southeastern Tribes. On behalf of Southeastern Tribes I am appreciative of this opportunity to appear before you on this crucial legislation.

The United Southeastern Tribes is a nonprofit corporation consisting of an association of federally recognized Indian tribes in the Southeast and East with executive offices in Sarasota, Fla., and serving the following tribes:

Seminole Tribe of Florida, Mississippi Band of Choctaw Indians, Eastern Band of Cherokee Indians, Miccosukee Tribe of Indians in Florida, Chitimacha Tribe of Louisiana, and Seneca Nation of New York.

USET has been continuously involved in supportive efforts on behalf of its member tribes in all areas of endeavor. And most recently, USET has supported the efforts of the National Congress of American Indians, NCAI, in conducting meetings whereby Indian tribes have had the opportunity to express their various concerns regarding food stamp legislation. Additionally, USET is a designated regional member of NCAI. USET tribal leadership and key USET administrators have been involved with NCAI in a process of establishing a broad consensus of nationwide tribal positions on the food stamp legislation. We feel that the position paper and testimony presented today by Mr. Charles Trimble, executive director, NCAI, to be essentially the position of USET and its member tribes.

We concur in that respect, that there is an imposition on the part of State jurisdiction on federally recognized Indian reservations; that there is a tremendous disadvantage to Indian individuals in securing food stamp services as administered by the State; that the States have an inability to effectively conduct community outreach in orientation and making food stamp services more conveniently accessible to Indian people due to a lack of experience on the part of the State in working with Indian communities and a total lack of understanding of Indian lifestyles, cultural and traditional values; and that there may be in some instances an outright discrimination against Indian people due to misconceptions and racist attitudes.

Some of the problems encountered by tribal administration in administering any type of service program on our reservation are as follows:

1. In most cases, USET tribal communities do not consist of one concentrated group of families and establishments. For example, on the Seminole reservation in Florida there are three separate tracts of land which make up the reservation. The distance between the Hollywood and Brighton tracts is approximately 65 miles from Hollywood and 80 miles from Brighton.

Although a majority of the Eastern Band of Cherokee Indians live on one tract of land, their community is vast with outlying subcommunities at a distance of up to 70 miles from the tribal headquarters. Additionally, access to outlying communities on the reserva-

tion must be travelled through mountainous roads which are sometimes in accessible during certain periods of the season.

The Choctaw in Central Mississippi consists of seven separate tracts of land some of which are up to 90 miles away from the tribal headquarters.

The Seneca Nation, near Buffalo, N.Y., consists of two separate tracts of land approximately 50 miles apart.

Although the Miccosukee reservation in South Florida is small in comparison to the other USET reservations, not all of the prospective service recipients live on the reservation. Many families still reside in the deep confines of the Everglades National Park area. Access to these camps is very difficult and sometimes almost inaccessible.

2. All of the USET tribal communities have their own individual and unique cultural values and lifestyles. Many of the tribal members, especially young people and elderly people, speak the tribal language. Although on some reservations the tribal language is used to such an extent that the English language could be considered the second language, there is a great majority of people who do not speak the English language. It should be noted that a majority of the eligible recipients of the food stamp program may not be able to speak, read, or write the English language.

3. In the past, Indian communities and individuals displayed a reluctance and a lack of aggressiveness in manifesting their rights to services from institutions and agencies surrounding the reservations. This is due to a long-standing relationship of alienation between the isolated reservations and the surrounding communities which have been fostered by federal paternalism.

It is imperative that Indian communities be given every opportunity to develop their own resources and potential in education and training to overcome this particular type of problem which we feel can be solved initially and in part in a sovereign manner by Indian people themselves.

In accordance with President Nixon's self-determination message to Congress of July 8, 1970, the USET tribe have exerted themselves in every way to implement the full impact of this proclamation. In this respect, we feel that tribal administration and government has the capability to administer a vast variety of service-oriented programs including the food stamp program as proposed herein. This is indicated by the fact that tribal administrations under the authority of tribal governments have proceeded to contract a great majority of services previously administered by the Bureau of Indian Affairs and the Indian Health Service. Due to the ability of tribal administration to utilize all aspects of inherent expertise and off-reservation resources, these contractual arrangements have been successful.

Every aspect of tribal administration takes into serious consideration the total needs of the community and validation and approval of such programs by community input through Government and program involvement.

One of the purposes of USET is to provide training and technical assistance to tribal administrations. This training is of a special nature, taking into consideration the unique cultural, economic and

educational status of each reservation community. USET administers its own CAP program which basically provides training and technical assistance to tribal administrations, corporate administrations, and program management. This training and technical assistance is provided by Indian expertise on the staff, and administered locally in most cases, in terms of in-service on-the-job training. Additionally tribal administrations have made significant progress in developing local education resources for college accredited training for its own personnel. The thrust in this effort has been to train and develop Indian manpower to be of service to their own tribes in the true spirit of Indian self-determination.

Specific instances of tribal administration capabilities and the development of tribal enterprise is the fact that the Seminole Tribe of Florida currently maintains with successful profit, one of the largest herds of cattle in the State of Florida. The sophistication of the Cherokee tribal administration is indicative of the fact that they administer total control of their own fisheries and wildlife conservation program and have, for years, developed with success individually owned commercial business establishments. The Mississippi Band of Choctaw Indians are currently negotiating with industries to establish a long-term industrial development program for their community consisting of production and manufacture of goods consistent with the overall economic development of the State of Mississippi. The Miccosukee Tribe have contracted with the Bureau of Indian Affairs to fully implement their primary education system and have just recently established, under their control and administration, a clinic which provides for a considerable amount of health care services. The Seneca Nation of New York, through its tribal government and administration, have successfully negotiated a land settlement claim approximating \$5 million with which they have currently established economic and educational priorities in a long term investment program in human and economic development.

All these examples should be indicative of the fact that tribal government and administration does have the capabilities and expertise to effectively manage and administer its own food stamp program.

In conclusion, the position of USET regarding the proposed amendment in S. 2871 to Public Law 93-86 is as follows:

1. The USET tribes be given every opportunity to fully administer, at their own discretion, the food stamp program as proposed. Additionally, that 100 percent of the cost of administration be allowed to tribes so choosing to administer their own food stamp program.

2. Tribes currently involved in the commodities distribution program should be given and allowed sufficient time to develop an effective management system to either administer its own commodity program or administer the proposed food stamp program.

3. Section 17, P.L. 83-86, food stamp program, allow for members of eligible households living in the State of Alaska be permitted to purchase hunting and fishing equipment for the purpose of procuring food for the household. Request that all federally recognized tribes also be included in this provision.

Again, Mr. Chairman and distinguished members of the House Agriculture Committee, let me thank you for this opportunity to present the position of the tribes of USET to you.

Mr. FOLEY. Thank you very much, Ms. Barnett.

Are there any questions of Mr. Trimble, Mr. Eskeets, or Ms. Barnett?

Mr. BERGLAND. Mr. Chairman, I have no questions, but I do want to compliment these people for presenting their case in a very articulate, forceful fashion. There are some 15,000 Chippewas living in the district I represent and the problems you have described in your region are similar to the problems we find in my region as well. I am in general sympathy with your proposals and want to commend you for the fashion in which you have brought this to our attention.

Thank you very much.

Mr. THONE. Mr. Chairman, I will be brief. I, too, would like to commend these spokesmen for the tribes.

Mr. Trimble, I do not believe I have met you before. Do you represent any of the tribes out in the western area, say Nebraska?

Mr. TRIMBLE. Yes, generally, we represent the Omahas and Winnebagoes in the State of Nebraska.

Mr. THONE. Oh, you do? Well, fine. They are in my Congressional District.

I do not want to disagree with any of your testimony here, but we had a couple other tribes here yesterday. I had my office this morning contact all three of its tribes in my Congressional District. They talked to Nicki Solomon, who is the secretary of the Winnebago Tribe. She says that they are very well satisfied with the food stamp program there, although they would still like to have the dual program so that the people can choose.

My office also contacted Ken Forner, who is the tribal manager at the Santee-Sioux Reservation and he reports no problem whatsoever with the food stamp program. The Santee-Sioux Reservation has a Santee-Sioux tribal store which is owned and operated by the tribe as a nonprofit operation and the prices are competitive with the chain stores, perhaps a cent or two higher on some items, but all in all very reasonable.

The office also contacted Laurence Cook. He is the tribal chairman of the Omaha Tribe and he reports that there are no problems with the food stamp program on the Omaha Reservation. He said they took a poll and more than 80 percent of the residents preferred this to the commodity distribution program. I put this into the record now and if you have any comments or suggestions at all, Mr. Trimble, we would be pleased to have them.

Mr. TRIMBLE. Thank you. I think there is a difference here and a kind of unique situation. I was very pleased to hear the Representative from the State of Nebraska make reference to Indians in his testimony and we were very pleased with what he had to say. I think it probably shows a sensitivity on that division of the State government in Nebraska to the problems of the Indian people. We certainly comment the State of Nebraska for that.

But I think that those reservations are considerably smaller in size and in population to many of the reservations that we are dis-

cussing that have very, very unique, very strong problems, such as in western South Dakota and in other places.

Mr. THONE. I assume that the Omaha Tribe is about 1,500?

Mr. TRIMBLE. Something like that, yes.

Mr. THONE. And the Winnebago Tribe 700?

Mr. TRIMBLE. Yes sir.

Mr. THONE. And the Santee-Sioux around 400?

Mr. TRIMBLE. Yes sir, as opposed to the 15 to 18 thousand people in Rosebud or 12 to 15 thousand, and the Navajos with 136 or 137 thousand people, sir.

Mr. THONE. Do you have any other suggestions on this?

Mr. TRIMBLE. No, that is why we firmly agree with the option. There are tribes who do agree with the food stamp program and who find it works very well with them.

Mr. THONE. We worked with all three of our tribes in the transitional period.

Mr. TRIMBLE. Right.

Mr. THONE. Lastly this: I notice you signal a little here that you feel that section 4(b) of the bill might be asking for trouble. That section suggests—not suggests, requires—that the Secretary of Agriculture pay 62.5 percent of all of the administrative costs. You suggest that this might cause a veto of the bill because of the spending required under this section?

Mr. TRIMBLE. Yes, we understood that that would amount to some \$37 million on the national budget and that it would render the bill vulnerable to veto. What we are saying is we are not disagreeing with the States. I think that they very eloquently expressed their concerns of the burden on the States to administer their own programs. We certainly do not disagree with the States. All we plead is that that not become a victim of the political battle. We have a very, very rough situation.

Mr. THONE. A witness yesterday said something about 25 percent of those administrative costs being now picked up by the Federal Government. Is that pretty much the figure?

Mr. TRIMBLE. On the States?

Mr. THONE. Yes.

Mr. TRIMBLE. I think this morning it was said from 27 to 28 percent. However, even trying to recoup that amount of money, it took an additional 5 percent, so that reduced it down to 23 or 24 percent.

Mr. THONE. I think that figure is accurate.

Fine, Mr. Chairman. It was nice to have this exchange with you, Mr. Trimble. You are an excellent witness.

Mr. FOLEY. Mr. Trimble, I was interested in your statement and I compliment you on it, as well as the statement of Mr. Eskeets and Ms. Barnett.

You say in your statement that provision had been made to establish communications informing the Indian people of the food stamp program itself, on basic economic matters and on nutritional matters. Mr. Eskeets indicated that the Navajo Tribe had effectively undertaken that responsibility.

It would seem that your tribal organizations are in the best position to undertake these communications. Perhaps there is a need

for special assistance in providing this kind of information to their tribal members.

Mr. TRIMBLE. The Navajos are in a unique situation. They have considerable resources in tribes and not taking away from them, they also have considerably more initiative, I think. They do many things and are well advanced in many areas of communication. They did receive EFSM moneys to do this project. What we are saying is hopefully, we can go on their example and use them as a model. We have discussed this at length with them, that they would make all of these things available. But for practically all other tribes, I think additional funds would be needed in a coordinated national effort to devise some of these programs which the National Congress of American Indian is willing to accept. We have talked to almost all agencies and the only one that shows any great interest is the Emergency Food and Medical Office and they do show a deep concern and deep interest. However, we sympathize with them in that they are being allotted in Indian affairs only \$1 million—not only in Indian affairs, but Indian and migrant programs.

Mr. FOLEY. I can see your problem, in how difficult it might be to reach a migrant population that is by definition mobile and sometimes difficult to identify. But I would think that an organized tribe, which has a roll of tribal members, a tribal newspaper, and various other communications that might go out weekly, could contact such a population.

It would be a fairly simple thing, for example, to print a brochure explaining to members the food stamp program.

I would assume the tribal governments would have a far easier time reaching all the possible recipients among their members than States or counties. I cannot quite understand why basic information about the food stamp program would not be easily disseminated to the vast majority of Indian tribal members, considering the fact that they are highly organized and identified, usually, as members of a tribal community.

Mr. TRIMBLE. Mr. Chairman, may I respond to that?

Mr. FOLEY. Yes.

Mr. TRIMBLE. Mr. Chairman, I am also the founder and first director of the American Indian Press Association and it is basically the associated press of the Indian world. Our prime purpose for existence was to try to improve internal communications within tribes and also intertribal communications and also to provide news services on the national scene for more than 100 Indian newspapers throughout the United States. Communications are not that well established due to the isolation of many Indian communities and Indian individuals on these sparsely populated reservations. It is a problem and I think it is going to take considerably more money.

Just about all those Indian newspapers and communications systems on Indian reservations, with the exception perhaps of Navajos, are in financial difficulties and having a difficult time keeping alive. So it is not that neatly packaged a thing in the Indian reservation communities.

Mr. FOLEY. I do not want to pursue it, but when you argue, I feel, quite persuasively, that the Indian communities have the capacity to administer these programs in self-determination, certainly one of

the responsibilities is to communicate with people about the program. That is an essential first step which is not a technical problem.

Perhaps I am applying too simplistic a standard here, but it appears all the tribes have to be in communication with tribal members about tribal elections and activities of the tribal business community—at least in the tribes I am familiar with, the members receive continual communications from the tribal business council. It strikes me as strange to pose a problem about the ability to communicate one or two times a year about the program and I do not quite understand the difficulty.

There are some tribes, of course, that are very hard pressed economically, but we are not talking about major administrative costs to communicate with the members about the programs. It is a matter of relatively low cost. Tribal papers do exist and tribal organizations do exist to communicate with their members. If you would have trouble communicating about this program, I do not see how tribal governments can function.

Mr. TRIMBLE. Miss Barnett would like to answer that.

Ms. BARNETT. I would like to respond to the statement by saying that I thoroughly agree with you and I think it probably substantiates what we are requesting in this testimony in that we are probably the only people capable of writing a program to meet the needs of the Indian people on the reservations. But what I think we are saying is essentially, we just do not have the financial assistance that it would take to thoroughly inform the public on the reservations of this.

We have the communications and we do have the possibilities there to inform the people, but as the Navajos program relates, the illustrations have to be redone and the figures in the paper are of the Navajos Tribe, tribal people's dress. A lot of people do not understand and read English, so it has to be illustrated more. So it does take a little more amount of financial assistance to change it over to that type of communication.

Mr. FOLEY. As far as I know, a Navajos reservation is not only very large and very sparsely populated, but it always has a very highly structured tribal government. Certainly they must communicate in Navajos with various illustrations and so on about other tribal matters—about elections to the tribal council and various other tribal affairs. It should be a relatively easy matter to get across information about these current programs, not to say that it works easily, but certainly the outreach of information about a program, is something that should be within the resources of the tribe without too much difficulty.

The other thing is largely in reference to the certification procedure. Mr. Trimble, your statement says "It should be noted that on occasion, clients have been unable to budget their money so that they can purchase food stamps at a given time."

In response to that problem, which exists off the reservation and among non-Indian people as well, the Congress has authorized and encouraged the Department to permit purchases of food stamps weekly. Were you proposing that special arrangements be written into the act allowing for purchase of stamps on conditions other than those available to the general community, Indian or non-Indian?

Mr. TRIMBLE. Mr. Chairman, I think that was to bolster our contention that the tribes should be given full administrative reins on this. Hopefully, the structure would be flexible enough to enhance tribal administration to meet these specific needs.

Mr. FOLEY. Were you suggesting that, in addition to administering the program, Indian tribes be allowed greater flexibility than State operating authorities under Department regulations?

Mr. TRIMBLE. Yes, sir.

Mr. FOLEY. What would be the justification for that?

Mr. TRIMBLE. The unique problems of the Indian people. I think Mr. Eskeets testified to the effect that even with the ability to purchase four times a month, purchase food stamps, the travel was such that they could not travel four times a month. It is kind of a—

Mr. FOLEY. Does that condition not exist among non-Indian people?

Mr. TRIMBLE. It may, but I think it is a terrible one with Indian people, or a widespread problem in the isolated areas in which Indian people are living.

Mr. FOLEY. We are trying to write a national law that sets some basic, hopefully flexible standards for administration. I just wanted to determine whether you were suggesting that there be in effect an ability on the part of Indian tribes to rewrite all regulations for the food stamp program as they find it might be useful on an Indian reservation.

Mr. TRIMBLE. No.

Mr. FOLEY. Are you suggesting that allocations on income be within the determination of the tribe or the Department?

Mr. TRIMBLE. No, Mr. Chairman. I really think that basically, what we are doing is commending the Congress for initiating such things as you have done. We think it is a tremendous step. We see food stamps as imminent and certainly, we are hoping that the tribes, in dealing with the unique problems of their own people, will have enough flexibility. Whether or not it has to be written into the language of the bill, we do not know, but perhaps with a little more study and a little more concentration with the tribes, we can determine exactly or specifically what is needed in that respect. But we are not asking for a totally separate bill with all kinds of unique provisions for us.

Mr. THONE. The big issue would be whether or not the tribal council could administer the program?

Mr. TRIMBLE. Yes sir, I think that is the overriding issue.

Mr. FOLEY. But unless there were a change in the basic statute, would you assume that the tribe would be covered by the same general regulations as an operating state authority?

Mr. TRIMBLE. Yes, I would.

Mr. FOLEY. We have another vote, unfortunately. The subcommittee will be returning to hear our final two witnesses.

Again I would like to thank Mr. Trimble and Mr. Eskeets and Ms. Barnett for their testimony, which has certainly made a very positive contribution to our record.

Mr. TRIMBLE. Thank you very much, sir.

Mr. FOLEY. The subcommittee will stand in recess.

[Recess.]

Mr. FOLEY. The subcommittee will come to order.

The next witness is Mr. G. A. Lynch, executive secretary, Association of Institutional Distributors.

Mr. Lynch, we will be happy to hear from you.

STATEMENT OF G. A. LYNCH, EXECUTIVE SECRETARY, ASSOCIATION OF INSTITUTIONAL DISTRIBUTORS, McLEAN, VA.

Mr. LYNCH. Mr. Chairman, it is a privilege to be able to appear before you. I almost said committee, but apparently, you have had some problems which have caused our committee and audience to diminish in size.

My name is G. A. Dan Lynch and I am the executive secretary of the Association of Institutional Distributors.

The Association of Institutional Distributors, or AID, as it is called, is a trade association with headquarters in McLean, Va. Its membership is comprised of approximately 125 food wholesalers who distribute only to institutions. These companies serve the entire United States in a highly competitive industry which is characterized by low net profit percentages.

Schools are considered a significant market sector of our industry. The industry is extremely interested in the continuation of a viable school feeding program not only for the obvious business reasons, but also for the equally obvious reason that it is an important segment of the educational program of our schools.

Sales to schools are historically on a low-bid basis. Procurement at the local level, however, is most likely to be timed so that the volume procured, the delivery dates, package size and other related factors affecting the use are considered in a manner which will allow the lowest possible cost at the time and place of use. This is an important concept. Cost of an item is much more inclusive than the purchase price.

If I may have the privilege of digressing a bit from the prepared statement I have, I would like to call attention to the fact that some of the previous testimony, even though it be from expert witnesses, I believe the illustrations that have been used have not recognized this fact in that comparisons have been made essentially between what might be called apples and oranges. That is, they have spoken in terms of the price paid by the USDA, for example, for a commodity and then, in trying to relate that to the cost of an institution, they have not considered the fact that once the USDA purchases a commodity, there are many things which must be done that do increase the final cost so that the price paid by the USDA is in fact not the cost at which the item is served.

The present system, to go back to the written testimony—and I made it brief, realizing we were going to be late in the day—the present system of procurement of commodities by the USDA together with the various distribution techniques employed up to the point and time of use are based primarily on purchase price and do not recognize the total landed cost. Volume 3 of the report of the Commission on Government Procurement presents the factual details of the present concept and mechanics now used by the Federal Government and documents their shortcomings and costs. The 175

pages of volume 3 covers the entire concept of procurement and distribution and suggest procedures to permit the lowest possible cost at the time and place of use. One of the areas covered specifically is the present USDA commodity distribution program.

I am sure that each Congressman has a copy of this set of documents in his office, because the Government Procurement Commission was a Commission which was appointed by the House, the Senate, and the President to specifically study the entire procurement and distribution system as utilized by the Federal Government.

Under the present method of procurement and distribution, total cost to the taxpayer is greater for commodities supplied to the school feeding program than would be the case if the commodities were purchased by the schools from institutional distributors. The primary cause is a duplication of distribution systems and facilities with a three-tier level of government involvement in the functions which are efficiently performed by the normal commercial channels of distribution.

These three tiers are the Federal, the State, and then the local government.

In past years, institutional distributors have supplied approximately 80 percent of the commodities used in the school feeding program. During recent months of shortages, the percentage has increased. It is probable that shortages will continue in many commodities for at least the next 2 or 3 years since packers did not increase their facilities due to problems caused by wage and price controls. It is not inconceivable that the USDA may not be able to secure bids on commodities for distribution.

Should a surplus develop in some commodity, it could be removed from the marketplace by procurement at the local level. This could take place more quickly than under present procedure. And the speaker following me will speak in some detail on that.

The Association of Institutional Distributors requests and recommends that legislation now governing the procurement and distribution of commodities by the USDA be modified in such a manner that would permanently permit local school districts to purchase commodities under USDA guidelines. USDA guidelines could then be established to insure removal of surplus commodities under the same procurement system.

This would allow lower total costs to the taxpayer, provide a more efficient and flexible system for the school district, eliminate much waste and provide a more stable program.

I would like to thank the committee for the privilege of appearing before them and I would like to ask, Mr. Chairman, if it might be possible, in view of some of the testimony that was presented this afternoon, for me to forward at a later date some other pertinent information on the commodity distribution program as it relates to specific school districts in which specific school districts have delineated in writing to members of our trade association the problems that they have had with that. Our membership has tried to work with them in coordinating their purchase of the 80 percent that they acquired through commercial channels of distribution so that it will enable them to use what has been provided in the commodity distribution program more effectively.

Mr. FOLEY. Mr. Lynch, we will be very happy to have it. However, I cannot assure you that the record will be kept open very long. We have a time limit before us since the appropriation authority expires on June 30 and it may be the subcommittee's decision to markup the bill rather quickly.

Mr. LYNCH. The reason I am asking that is I would like to secure permission from these people to utilize their names. I think I can have that by Friday and have the material in the mail by Friday. Then if it would be permissible, or if the committee would consider including it in the record, this would be appreciated. If they could not, then certainly you would have it for information.

Mr. FOLEY. We will be glad to have it, either for the record or the file, as time and the character of information permit.

Mr. LYNCH. Thank you. I will be glad to try to answer any questions that you might have.

Mr. FOLEY. Are there any questions, Mr. Thone?

Mr. THONE. No questions.

Mr. FOLEY. Thank you, Mr. Lynch. I appreciate your patience. I am going to have to recess the subcommittee again. We have another vote on the Floor.

[Recess.]

Mr. FOLEY. The subcommittee will come to order.

Our last witness is Mr. Patt Patterson, managing director of the International Foodservice Distributors Association, New York, N.Y.

Mr. Patterson, the Chair apologizes for the many interruptions and long delay. You have been very patient, but we lawyers used to say that the final argument is worth something, and you, sir, have the final argument.

STATEMENT OF PATT PATTERSON, MANAGING DIRECTOR, INTERNATIONAL FOODSERVICE DISTRIBUTORS ASSOCIATION, NEW YORK, N.Y.

Mr. PATTERSON. I feel like I am in a situation of rebuttal here to almost everybody who has spoken ahead of me.

Mr. Chairman, members of the subcommittee, Mr. Lynch and I both represent the foodservice distribution industry. We are each the respective heads of separate organizations representing large segments of that business. We are in complete agreement on the need for changes in the present procurement policies for the school and child nutrition programs.

The International Foodservice Distributors Association represents approximately 170 food distribution firms which supply the foodservice ("eat-away-from-home") market, providing food and associated products to schools, hospitals, colleges, and commercial restaurants.

We strongly support the national school lunch program both in concept and generally in policy. We believe it is of the greatest importance, not only because it is necessary to insure the proper nutrition of countless children who would otherwise not have access to a fully nutritive diet, but because it serves as a source of valuable nutrition education and inculcates habits for all of our Nation's school children.

We do feel, however, that Federal purchasing of foods on the open market in order to supply the national school lunch program is a policy whose time is past. We believe that such purchasing is unnecessarily expensive for the country's taxpayers. What often appears on the surface to be a "bargain" price paid for such foods by the U.S. Department of Agriculture is actually far more expensive—in terms of total delivered cost—than the same foods purchased by the schools directly from their local foodservice distributors.

It has become too common for school lunch personnel to look at only the initial price the USDA pays at the processor's loading dock—and for them to claim that the food is a "bargain compared to prices on the local market."

But we all know that the price of food at the point of processing is just one factor in the final cost of food. To it must be added the costs of transporting the food to the individual States; the costs of unloading and storing that food; and the costs of final delivery to the schools in which it will be prepared and consumed. These costs, added to the initial price, combine to make federally-procured food more expensive to the taxpayer than simply providing cash to the schools and permitting them to buy the same foods from their local distributors.

I might add here that there are exceptions to this, but in general, based on Mr. Lynch's notation of the study of the National Commission on Government Procurement, it seems that in the largest number of cases, the actual delivered price, including all of the costs of handling to the schools through the Federal-State-local distribution network, is higher than that through commercial channels.

Therefore, the International Foodservice Distributors Association endorses the Agriculture Department's proposal to discontinue such food purchasing and its proposal to continue supplying cash to the schools to make possible their purchase of all their foods on the local market levels. We sincerely believe that such an action would be in the longterm best interests of the national school lunch program, and would ensure economies in the overall program.

One of the major drawbacks in the present system is the practical impossibility of reflecting varying ethnic and regional food preferences in the foods supplied to the various states. On the other hand, providing cash to the States and thence to the local school systems would permit school lunch personnel to purchase foods which fit the community eating patterns, and to meet the food preference of minority students. Such flexibility is impossible in a centralized Federal procurement program.

Of course, if it were simply a matter of requiring a change from one system of distribution to another, the costs of such a change might well be prohibitive. But there already exist two parallel systems of food distribution to the schools. Approximately 80 percent (last year that was nearly \$1.6 billion) of the national school lunch program's food today is purchased from local foodservice distributors by the individual schools. Only 20 percent (approximately \$300 million) is supplied directly by the Federal Government. Today's foodservice distributors, because of their modern, cost-effective food handling methods and the fact that they handle foodstuffs in

great volume, provide economies over the Federal/State distribution systems which vary in type and efficiency from state to state.

We recognize, however, that the national school lunch program as it exists today owes its growth to the foresight of Congress, which early mandated that food surpluses should be apportioned to the schools. In the early stages following World War II, such commodities were a major part of the foods served to school children. Today, however, that portion has shrunk to the figures quoted above, and as surpluses have dwindled, commodities will continue to provide a reduced impact on school lunches.

Today, surpluses—even abundance—exist in few foods. And agricultural economists do not anticipate surpluses—except in isolated cases—in the foreseeable future.

It is a concern of farmers, however, that because of the bounty of nature or the vagaries of agricultural planning, "spot" surpluses of individual foods may occur at any time. With the occurrence of such surpluses, limited though they might be, farmers will continue to look to the Agriculture Department to adjust market swings.

How can such surpluses be expeditiously handled if the mechanism for siphoning them off to the schools has been dismantled?

There is an answer, which has been suggested by the food industry itself for a number of years, and which is now scheduled for study by the Agriculture Department. This is the "voucher" system of providing money to the schools which has been dedicated to the purchase of certain commodities. The Agriculture Department would react to the appearance of surpluses and the necessity for market support by the issue of such vouchers.

How would it work? Far faster and more effectively than the present system of advertising for bids.

Although we have heard some testimony today which has indicated an opposite viewpoint, in actual fact, the system of vouchers can move in a far faster method than today's advertising of bids, issuing of contracts, and delivery of foods. Upon determining that a surplus exists, the Agriculture Department would determine the amount of the foodstuff which would go to the national school lunch program. Vouchers would then be prepared for that dollar volume of food, and these vouchers—redeemable with foodservice distributors for only the foodstuff specified—would be distributed to the various States. Individual States would then have the option of using the vouchers at a central level to purchase the surplus commodity through normal food supply channels, or they could redistribute the vouchers to local school districts for use as part of their regular food purchasing program with local distributors.

An interesting aspect of this system is that it would actually multiply the effectiveness of any moneys provided for the purpose by the Agriculture Department. It is a curious phenomenon of our food system that it reacts more strongly to news of an action than to the action itself.

At the present time, in order to remove foodstuffs from the market in order to modify the effect of surpluses, the Agriculture Department sends out notices that they will accept bids for these foods. The interested food processor or packer submits such bids, which are considered by the Department, and finally a purchase contract is

issued. The product must then be shipped, received at the State level and redistributed to local schools.

Few school systems are large enough to receive an entire carload of food directly from the packer. In most cases, the product arrives in carload lots at a receiving point designated by the respective State Department of Education; it must be unloaded, broken down into individual delivery loads, and reshipped to the schools within the State. It is sometimes several months before the schools receive the food which was determined to be in surplus.

Even when such bids are extended over a long period of time, only a few packers are able to "win" contracts to supply the food, so the effect upon the market prices is only the direct result of removing that amount of food purchased.

On the other hand, with the vouchers, two things occur.

First: The preparation and distribution of vouchers to the States is far more rapid than advertising for bids. With the design of the vouchers worked out in advance, imprinting them with the name of a specific food requires such a short time that they may be shipped within a few days after a decision has been made to use school buying power to reduce the effect of surplus on the market. Thus, such a system will greatly improve the ability of the Agriculture Department to react to a surplus or market support condition.

Second: With schools throughout the Nation to receive vouchers for the surplus food, a chain reaction takes place in the distribution system. Upon notice that there will be large purchases of a specific food by the schools, the distributor places orders to reinforce his stocks of that food. Those orders generally total as much as 25 to 50 percent more than the actual amount budgeted by the Agriculture Department for vouchers.

The reason? Because each of the distributors servicing schools believes that the local schools will buy the food from him. Food-service distribution to schools is a competitive arena—a fact which has worked to the advantage of the individual school. Believing that he will gain this business from the schools in his area, he must then reorder the product to be sure of having enough to supply the schools—and his regular customers in other fields.

This "leverage is obtainable only because the individual schools would be buying from local distributors, using the vouchers as if they were money, and insuring that the distribution pipeline would be filled with the product. The end result would be a far stronger impact on the market price of a surplus item than through direct Federal invitations to bid.

The U.S. Department of Agriculture has asked Congress for permission to discontinue the direct purchasing of food on the competitive open market. It has said that it believes that direct cash donations to the schools will result in more economical "food on the plate." We agree.

We are firmly convinced that actions of the Department of Agriculture in buying products on the current market do not achieve the results desired. For example: recently the Department—in order to support the market price for beef—announced invitations to bid

on frozen ground beef for the schools. So far, less than 10 percent of that beef has been purchased, and most of it will reach the local schools by the time—or shortly after—they have dismissed their students for the summer vacation. As a result, the frozen ground beef must be stored throughout the summer at a major expense to the local schools or to the individual state departments of education.

If vouchers had been used, schools would have begun purchase of the beef in April, and a major portion of it would have been received and consumed before the summer vacation.

We recommend that this subcommittee report to the Agriculture Committee an endorsement of the proposal of the U.S. Department of Agriculture that commodity purchasing on the open market be phased out, and that an alternate program of providing cash to schools for local purchasing be instituted instead.

We further recommend that the subcommittee to the Agriculture Committee an endorsement of the proposal of the U.S. Department of Agriculture that commodity purchasing on the open market be phased out, and that an alternate program of providing cash to schools for local purchasing be instituted instead.

We further recommend that the subcommittee report favorably on the Department of Agriculture's plan to study the various factors involved in setting up a voucher purchasing system to induce market changes during times of food surpluses, either local "spot" conditions, or extended overproduction.

We believe these proposals to be in the best interests of both the national school lunch program and the Nation's farmers.

Thank you, Mr. Chairman, for this opportunity to present our viewpoint on this vital subject.

MR. THONE. Thank you, Mr. Patterson. Chairman Foley was late—in fact, considerably late—to another meeting, so he had to excuse himself.

That concludes this hearing. I do not want to start any kind of debate here, but I am intellectually stimulated by that suggestion of yours, Mr. Patterson, on the voucher system.

I wonder, Colonel Reiss, do you have any observations, or do you, Mr. Davis, on the voucher system that Mr. Patterson proposed before the subcommittee?

MR. REISS. Yes sir, we already discussed it with the U.S. Department of Agriculture and they have no solution at the present time whether it will or will not work. As I mentioned in my statement, if a small school gets a voucher, he is going to the local wholesaler or a retailer. With the small amounts of food that they are going to take on the market, it is not going to reach the surplus area for a matter of many months.

This was discussed with Mr. Heckman in the Department of Agriculture. They do not have a solution at the present time. We are not saying that they could not get one that probably would work, but at the present time, they have no system that will work.

MR. THONE. But the local surpluses probably will be taken care of by this voucher system.

To go back to the meat purchase, as I remember, that was a \$45 million purchase of hamburger that the Secretary and the President

announced some 4 or 5 weeks ago or so. As I remember, the futures went up the maximum the next day, but then dribbled right on back in the next week or so. So even that announcement of a \$45 million purchase, although granted that is just a drop in the bucket to the beef slaughtering of the Nation and did not really accomplish very much as far as bolstering of that industry was concerned.

Mr. DAVIS. Mr. Chairman, I do not know why, but they bought only a small portion of it.

Mr. THONE. I notice Mr. Patterson said only 10 percent of it so far. I do not understand that. Heaven knows there is plenty of beef out there in the Midwest. I talked to Iowa Beef not too long ago, and they are the largest producer out my way, and they said all of their storage facilities are jam packed full of beef.

Mr. DAVIS. That is the situation on pork, as far as I can tell. Our processors tell us that that is the situation on beef.

Mr. THONE. Maybe Mr. Patterson put his tag on it because of his voucher over the summer.

Mr. PATTERSON. No, the problem in meat is a totally different one. The reason is that they have simply not been able to get enough packers to offer a product. The reason for that is the purchase was made on a totally different basis than it generally is. The usual meat purchased for the school lunch program, ground meat, is USDA grade choice, which is the second largest amount of meat available on our domestic market. The order for the \$45 million was for U.S. graded prime, which you will find in your better restaurants only, and there is not that much prime. Less than 9 percent of all the beeves slaughtered in this country during any average period of slaughter are prime beeves. As a result, by making the specification for prime beef, not only was there an extremely high price paid for this hamburger that has been bought to date, but in addition, there is not enough being submitted to make large quantity buys at one time.

Mr. DAVIS. I do not understand it. It was not a surplus on the market and it was not available. Why did they specify that?

Mr. REISS. Mr. Thone, I think one of the reasons for this type of purchase is USDA went out on a specification that was geared to a certain type of fed cattle and they cannot take that all off the market at the same time, so it will be over a period of months before it can be taken off the market.

I asked, too, before the Committee on Education, is this legal? I think they should have gone out and bought a comparable item that you could get off the shelf somewhere instead of a different item.

How are you going to compare that high priced beef and high grade beef with something on a local market on price? You cannot, you really cannot.

The same way with the hotdogs they went out and bought. It is the best hotdogs that USDA ever bought, but their specs were real high and you could not get a comparable hotdog on the open market.

Now, again, I think they should go out and purchase items that are available and gear their specs accordingly.

Mr. PATTERSON. This has been one of the problems of the entire commodity distribution program that is inherent in the system. It

was done in the case of the hamburger for a very specific reason. There was—\$45 million would have been a drop in the bucket in the U.S. choice area. They felt that by buying prime, they would affect a part of the market that was able to be affected. They did. The problem is that the housewife does not buy prime meat, so it did not do much to affect her buys in the supermarket. The restaurant operators are roaring with anger because it managed to drive their costs back up again approximately 12 percent.

So the effect has been probably to help a limited number of cattle raisers, to create a problem in the restaurant, in the fine restaurant industry, and do absolutely nothing to bolster the price of the major part of the beeves that are slaughtered in this country.

However, as I say, this is inherent in the system and one of the—we believe firmly that the use of vouchers will provide a greater reaction on the market because the products purchased will be products at the grade levels generally used by the schools, supplied through the wholesalers, who are their normal source of \$1.6 billion worth of food, or 80 percent of the food the schools use is already being purchased that way.

Mr. THONE. Well, thank you very much, Mr. Patterson.

That concludes the hearing. I want to thank all of you witnesses. You have been very helpful to us.

The committee will stand adjourned until 2 o'clock tomorrow afternoon.

[Whereupon, at 5:15 p.m., the subcommittee recessed to reconvene at 2 p.m., Thursday, May 9, 1974.]

EXTEND COMMODITY FOOD DISTRIBUTION AUTHORITY

THURSDAY, MAY 9, 1974

HOUSE OF REPRESENTATIVES,
AD HOC SUBCOMMITTEE ON LEGISLATION
To EXTEND THE COMMODITY FOOD
DISTRIBUTION AUTHORITY OF THE
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to order, at 2 p.m., in room 1302, Longworth House Office Building, Hon. Thomas S. Foley (chairman), presiding.

Present: Representatives Foley, Bergland, Wampler, Goodling, Thome, and Zwach.

Also present: Hyde H. Murray, associate counsel; John Rainbolt, associate counsel; Steve Allen, staff consultant, and Anita Brown, staff assistant.

Mr. FOLEY. The Ad Hoc Subcommittee on Legislation to Extend the Commodity Food Distribution Authority will come to order.

The subcommittee meets today for its final day of public hearings.

We are very happy to welcome our first witness, the Honorable Jaime Benitez, Resident Commissioner from Puerto Rico.

Mr. Benitez, we are delighted to welcome you to the subcommittee.

STATEMENT OF HON. JAIME BENITEZ, RESIDENT COMMISSIONER FROM PUERTO RICO TO THE UNITED STATES

Mr. BENITEZ. Mr. Chairman, and distinguished members of the subcommittee, my name is Jaime Benitez, and I am the Resident Commissioner from Puerto Rico to the United States. I am here today to urge your consideration of a 1-year extension of the authority of the Department of Agriculture to buy food at market prices to continue the food distribution program in Puerto Rico either by specific inclusion in the legislation you now have before you, H.R. 12168, and the various other bills to extend this authority and to mandate that the current level of food assistance is maintained, or if necessary, to recommend that additional authority be enacted.

Before continuing, however, I should like to take this opportunity to thank the chairman, Mr. Foley, for his consistent and successful efforts to include the people of Puerto Rico in the Food Stamp Statutes. Tom Foley has done remarkable work in promoting the exemplary nutrition policies in this country, and has done more than

anyone else in Congress to extend these much-needed programs to the needy of Puerto Rico. For this I thank the chairman.

As you well know, Mr. Chairman, Puerto Rico became eligible for food stamps in the 1971 legislation and the Agriculture and Consumer Protection Act of 1973 last year mandated that the Department of Agriculture establish a food stamp program on the Island.

When the law was approved last year it was the expectation of the committee as it was our expectation and hope that the program could be implemented in full by July 1, 1974. I am disappointed that this has not been possible. I regret deeply the delay as I am sure the committee also does. In fairness to the committee and to myself, I have requested and received from the proper offices in Puerto Rico an explanation for the delay. I believe this explanation justifies the request. I trust the committee will agree. I shall read from it and summarize.

The application of the food stamp program to Puerto Rico is unique in many ways. This is the most massive food stamp program ever attempted to be implemented in such a short period of time. Starting from scratch, the program must reach an eligible population of approximately 400,000 households. These households include four, five, and oftentimes more members.

In addition, the Food Stamp Act authorized the Secretary of Agriculture to establish separate coupon allotment schedules and income eligibility standards for Puerto Rico. This required special studies which delayed the publication of these schedules until the end of February of this year.

The food stamp program requires a series of administrative actions which cannot be achieved overnight. Employees must be recruited and trained. Fiscal accounting and information systems must be developed. An outreach program capable of reaching over 1.5 million people must be developed and put into operation. The determination of eligibility for hundreds of thousands of households is in itself a mammoth, time-consuming task. The authorization of thousands of food outlets to participate in the program must be achieved. Security arrangements and mechanisms to minimize fraud must be carefully planned and implemented. And, unlike the States, most of the program documents and informational materials must be translated from English into Spanish.

The Commonwealth of Puerto Rico is doing all within its power to implement this program as rapidly as possible. It has been determined that implementation by the end of this year reaches the limits of physical capability without inviting administrative chaos. It has set for itself the end of this calendar year as its goal for all-island coverage.

Furthermore, it should be noted that Puerto Rico presently imports from the U.S. mainland roughly 60 percent of its foodstuffs and that we are at the end of the food distribution chain. Sufficient phase-in time must be provided to the distribution system to plan for and absorb the impact on the system caused by increased purchasing power of participant households and the addition of more than 100,000 households, which are now served by the commodity distribution program, to the private distribution system.

Unlike the States, which under similar circumstances would be able to receive in a matter of hours additional supplies to meet increased demand from neighboring areas, we must rely on shipments by boat. This, of course, requires considerably more time and a consequently greater amount of planning on the part of the private sector. The phasing in of the program allows a sufficient amount of time for the necessary preparation of adequate stocks for increased demand. Thus, it becomes all the more important that the households presently receiving commodities continue to receive them beyond June 30, not only to insure that they will not be left without food while they are awaiting the implementation of the food stamp program, but also to insure that serious food shortages do not occur which will affect the entire population of the island.

The Deputy Administrator of the Food and Nutrition Service of the USDA, speaking for the administration, testified last week that:

In Puerto Rico we approved a plan proposed by the Governor to phase in food stamps on an orderly basis starting the next month or so with competition as rapidly as possible during the coming fiscal year . . .

. . . a 1-year extension of the authority to buy commodities will allow us to provide an adequate food package to eligible recipients in these few areas where food stamps will not be available on July 1.

On May 4, 1974, the Governor of Puerto Rico, Hon. Rafael Hernandez Colon, announced his full and complete commitment to a program endeavoring to achieve the transition from the present commodity program to the foodstamp program islandwide, at the earliest possible time. Hopefully, this could be achieved during the present calendar year. It is of course a very serious responsibility and one which involves a major effort. I trust the time-margin will be provided so that no lapse in the current food distribution services would result in grave injustices to persons presently served by this program.

This is my testimony, Mr. Chairman and members of the committee. I am ready for any questions.

Mr. FOLEY. Thank you very much, Mr. Benitez. Your testimony discussing the particularly unusual situations existing in the Commonwealth of Puerto Rico with respect to the extension of food stamps to the commonwealth will be most helpful to the subcommittee.

Are there any questions?

Mr. BERGLAND. Mr. Chairman, I would like to compliment the Commissioner for his presentation and I think he has made a very plausible argument.

I can see where they are trying very hard to do the best they can and they have performed very well under the circumstances.

I compliment the Commissioner.

Mr. BENITEZ. I am appreciative of your kind words.

Mr. FOLEY. The chair would like to observe that there is no one in Congress who does more for Puerto Rico than the resident Commissioner.

Mr. BENITEZ. Thank you very much, sir.

Mr. FOLEY. The chair is going to depart from the regular order to welcome another distinguished colleague of the House of Representatives, Mr. David Henderson from North Carolina.

**STATEMENT OF HON. DAVID N. HENDERSON, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NORTH CAROLINA**

Mr. HENDERSON. Mr. Chairman, for the benefit of my own time and yours, if you will permit me, I will not take my seat. I understand that the third witness this afternoon, Mr. W. H. Shepard, president of the National Turkey Federation, will be testifying. I have had an opportunity to review Mr. Shepard's statement. He is a constituent of mine, a very distinguished and successful turkey grower. I do not know how long he is going to be successful unless this legislation or some other relief is enacted for his industry.

I subscribe to his statement in urging your consideration of his position and to assure you that I will support your efforts when you come to the floor with legislation.

Mr. FOLEY. Thank you very much. Mr. Shepard comes highly recommended, and we would be glad to hear him at this time.

Mr. Shepard, would you please come forward?

Mr. BERGLAND. May I enquire? Does our distinguished colleague have a statement he wishes to submit for the record?

Mr. HENDERSON. Not at this time. I strongly support Mr. Shepard's statement, at least as it relates to turkeys. We have other surplus commodities that I could speak on, but I think so highly of Mr. Shepard, that I wanted to accompany him as he begins his testimony. He has excused me. And if you will do likewise, I am going to leave for North Carolina and I can bring you some surplus turkeys if you like.

Mr. GOODLING. Mr. Chairman, I think I should state that I told my distinguished colleague when I came in if he ever runs into personal food problems, the rest of the committee will attempt to take care of them.

Mr. HENDERSON. In response to my good friend of Pennsylvania, it is obvious that I do not have any problems.

Thank you very much.

**STATEMENT OF W. H. SHEPARD, JR., PRESIDENT, NATIONAL
TURKEY FEDERATION; ACCOMPANIED BY LEW WALTS, EXECUTIVE
VICE PRESIDENT**

Mr. SHEPARD. I would like to introduce Mr. Lew Walts, who is also here, vice president of the Turkey Federation. He actually runs the show.

The National Turkey Federation is a trade association representing the interests of the turkey industry in the United States.

I am very pleased to meet with you to discuss this legislation being considered here today, to extend special purchase considerations for commodity distribution beyond its current expiration date of June 30, 1974.

Included in our membership are approximately 2,700 members. These are turkey producers, breeders, hatcherymen, processors, marketers, and related allied industries. The membership of the National Turkey Federation is responsible for the production and marketing of the major portion of the nation's turkey crop and encompasses

many small- and medium-size producers depending on turkey production as their only means of livelihood.

The National Turkey Federation fully supports H.R. 14247.

This legislation provides for the continued use of section 32 funds by the Secretary of Agriculture for the direct purchase and distribution of agricultural commodities to maintain food assistance programs.

For many years, the Secretary of Agriculture has purchased turkey products using section 32 funds. The product thus purchased has been distributed by the Department to largely support school lunch programs, in addition to various other federally-supported feeding programs. Through these purchases, it has been possible for the Department of Agriculture to provide a low cost, highly nutritious food item to the recipients, and at the same time, greatly assist turkey producers in stabilizing market price levels.

With respect to nutritive values, it has been demonstrated through competent nutrition research, that turkey meat contains an exceptionally high level of protein and certain vitamins, but at the same time, is quite low in calories and cholesterol compared to many other meat food products. Without question, turkey is a perfect meat for growing youngsters requiring high levels of protein and also for the aged, whose needs for high protein and low-calorie foods is a matter of scientific evidence.

Due to the seasonal character of turkey production and marketing, it is necessary that a substantial amount of product be stored beginning midyear in preparation for Thanksgiving and Christmas marketings. The midyear in-storage movement places growers and marketers in a very weak bargaining position, as the retail demand for turkey is at a very seasonal low. It is at this time of the year that turkey generally is in a surplus condition and represents an excellent buy for the Department of Agriculture in supporting food assistance programs, plus assisting turkey producers by developing a confidence level in the marketplace through such direct purchases.

At this time, due to the prime rate, the cost of storage has hurt this more this year than it has in the past.

Based on testimony of earlier witnesses from the administration, it appears an attempt is being made to destroy the credibility of any threat of a current and potential surplus of agricultural commodities. This concept is being used as one leg of a crutch in an attempt to convince this committee on the merits of discontinuing commodity purchase and distribution.

For example, just last week Mr. James Springfield, Deputy Administrator, Food and Nutrition Service, told this committee, and here I quote,

Today, the Federal Government simply does not have access to large surpluses of food at bargain rates, as we did in the past. In fact, the Department's efforts to purchase food, even at market levels, has sometimes been difficult.

In earlier testimony on S. 2871, the companion bill in the Senate, another high ranking USDA official said and again I quote:

Today the Federal Government simply does not have access to large surpluses of food at bargain rates, as we did in the past. In fact, our efforts to purchase food, even at market levels, are facing stiff competition.

To have statements like these made by responsible USDA officials is almost beyond belief. And these are officials who should be very acutely aware of current and projected agricultural production. If the chair will indulge, I would like to mention a few comments made in a recent USDA publication, relative to anticipated supplies of certain commodities:

Red meat supplies will continue relatively large. Output of both beef and pork is expected to exceed the year-ago level. . . . Broiler-fryer production is expected to be 3 percent larger than in May 1973, and 9 percent more than the 1971-73 average. . . . Turkeys will be available in record quantities for May (normally a light month compared with customary heavy fall production). New-crop marketings, including heavier-than-usual turkeys, are expected to be more than one-third greater than the 1971-73 average by about 80 percent, the equivalent of some 6 million birds.

It appears to us that the Department's premise that the days of surplus agriculture commodities is over and that they cannot successfully compete pricewise in the marketplace stems more from a philosophy than fact and practicality. I hasten to assure you, Mr. Chairman and the members of this committee, that the turkey industry this very day, at this very time, is in a dangerous surplus situation. We would further assure you that if the Department wished to buy turkeys now and in the near future, they would have "access to a large supply of turkeys and at very bargain prices."

As a matter of fact, turkey growers today are losing from \$3 to \$4 on every bird currently marketed. Wholesale prices have dropped sharply since the first of the year. This has been compounded by higher across-the-board production costs which has contributed to heavy losses being sustained by growers the length and breadth of the country. And unfortunately, there is no immediate relief in sight.

One major problem is one of supply. Current storage inventories are completely unmanageable. The most recent issue of the "Poultry and Egg Situation," published by the Economic Research Service, U.S. Department of Agriculture has this to say about the turkey situation: "High production costs and declining turkey prices have put many producers into a loss situation." The report goes on to say, "Cold storage turkey stocks, up 72 million pounds on January 1, have stayed large. On April 1, they totaled 225 million pounds, down only 18 million pounds from March 1, but still 110 million pounds above April 1, 1973. This was the largest April 1 stocks since 1968. Stocks are expected to be at record midyear levels on July 1."

Our own industry estimates indicate production during the second quarter this year could be up 18 percent on a ready-to-cook basis and that strage stocks July 1, may exceed 250 million pounds. In short, the turkey industry is facing complete disaster as a result of a surplus situation.

We apologize to the Chair and the members of the committee for this recital of industry production and marketing statistics. However, we feel very urgently compelled to refute allegations by USDA administrators that surpluses of agriculture commodities no longer exist and that they do not "have access to large surpluses of food at bargain rates." With tom turkeys selling today at 38

cents a pound, New York wholesale carlot, it is very doubtful if the Department could find a more attractively priced meat product. Certainly, this price must be considered as a "bargain rate."

In conclusion, the National Turkey Federation believes the Secretary of Agriculture must continue to have the authority and funds to properly dispose of a surplus of any agricultural commodity which may exist from time to time, or to purchase commodities as needed to sustain food assistance programs irrespective of a surplus situation. It is very questionable, in our judgment, if a total commitment of federal funds placed in the hands of local school authorities for example, would generate the economies of purchasing power as has been demonstrated by large block purchases by the Department through the current commodity purchase programs. It also is very questionable if local purchasing programs, at least for turkeys, would be significantly effective from the standpoint of stabilizing producer prices by removing sizeable quantities of turkey from regular consumer channels, in relation to the results already in evidence through the Secretary's prudent use of section 32 funds on many previous occasions.

There is no question that the Department's direct purchase program of turkey and turkey products through the years has been effective in assisting turkey producers by establishing a price confidence level in the market and without an accompanying dislocation of retail values to the consumer.

The privilege of presenting these views to you, Mr. Chairman, and the members of the committee, is sincerely appreciated.

Mr. FOLEY. Thank you very much, Mr. Shepard and Mr. Walts. Are there any questions?

Mr. BERGLAND. Mr. Chairman, I had one question. Before that, I would like to compliment Mr. Shepard and Mr. Walts for pinpointing the problem that does exist, namely, the often-repeated statements of the officials of USDA that there are no surpluses now of certain commodities, and none that will occur in the near or distant future.

I think your testimony has demonstrated that we do have bankruptcy prices for some important commodities.

My question to you, Mr. Shepard, has to do with the impact on the market of substantial block buying by the USDA, as opposed to voucher purchases on the local level, which, in your judgment and experience, would have the most beneficial impact on price from the producers' point-of-view.

Mr. WALTS. Mr. Bergland, frankly we have not had any experience with Mr. Yaeger's suggestion of a voucher system to take care of removal of surplus commodities. We do not know how exactly that would work.

We would anticipate this by the time that the Department would get cranked up on issuing vouchers for the purchase of turkeys. For example, when these vouchers are distributed to some 109,000 districts, this would take a considerable amount of time.

Secondly, it is very questionable in our mind if a local school unit would be purchasing direct from a processor, such as the Department purchases when they buy turkeys. Instead, they would auto-

matically be forced to purchase their turkeys through a distributor or a broker. As you well know, they have to add their half-cent or cent on top of the price to buy this produce from the broker.

Then in the case of some of the very smaller school unit districts, we would anticipate no brokerage firm available. It is very conceivable in buying four, five, six boxes of turkeys, that their only recourse would be to buy this through a retailer and pay retail prices.

We question very seriously the economies espoused by the Administration on the savings of money through the voucher program.

Mr. BERGLAND. Thank you.

That is all, Mr. Chairman.

Mr. FOLEY. Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman. I would like to read one sentence and ask one question.

"I hasten to assure you, Mr. Chairman and members of this committee, that the turkey industry this very day at this very time is in a dangerous surplus situation."

Who is responsible for this condition, the U.S. Department of Agriculture or the turkey producer?

Mr. SHEPARD. Congressman Goodling, actually we are sort of caught up in the surplus of beef. This is one of our problems. Another problem we have, and this is ours, the turkey products hit so hard last August we put in more turkeys to come off this year, thinking that the price would hold. We find ourselves just like the beef people, the pork people, the egg people, we have all got surpluses, and I guess if it is anybody's fault, it is the producer's for not looking ahead. But we are in this situation, and right now we are selling turkeys 13 cents, 14 cents a pound under our production costs. A year ago we were buying corn for maybe \$1.50, \$1.80. This year we have been paying as high as \$3.20 a bushel. It takes about 5 months to finish a turkey out. So you have this high priced grain in there for sometime, since the first of the year.

This is a situation that we had no control over what we paid for ingredients.

Mr. GOODLING. I know what you are talking about. We produce a lot of turkeys in my area also, and I think you have to admit that you are overproducing turkeys. The people in my area also.

Mr. SHEPARD. This is true and we have taken steps, sir. While we have not told them what to do, we have recommended that we cut back on production, cut back on breeding. There are steps being taken, and have been for the last few weeks. We are 5 months down the road before we reach that.

Mr. GOODLING. Do you think that it is fair when you continue to overproduce year after year after year and expect the Federal Government to take the surplus?

Mr. SHEPARD. No, sir. We did not overproduce. Last year we should have produced more. We would have produced more. We would have made more money.

Mr. GOODLING. I happen to be a fruit grower and I find we usually lose money on a heavy crop. When we have a medium or moderate crop, we do very well. And I believe that you will have to admit that the turkey growers should do exactly the same thing.

Mr. SHEPARD. This is true. We have had an unusual winter this year. We have had a mild winter throughout the United States. A turkey breeder, if you are familiar with them, in bad weather their production is knocked hard. We even had ice storms down in North Carolina. That knocks them for a loop. This year everything has been perfect. Our production has been good. Our hatchers have been good. This adds to the problem.

I do not think you can come out with a cut and dry statement, if we do not cut it back to this point. You cannot just do it in the agriculture. You have too many factors involved such as weather and this type of thing, disease.

Mr. GOODLING. That is all.

Mr. FOLEY. Mr. Walts.

Mr. WALT. In an attempt to give you additional information, Mr. Goodling, on our situation, I think it stands largely, or in a great part, anyway, to the Administration's efforts last year to basically control the law of supply and demand by freezing retail prices, and there is hardly any need to go back and review all of these, except that we know that the beef producers cut back on their breeding herds, the pork producers marketed piggy sows, the chicken broilers industry, due to the shorter production cycle, cut back breeding stocks. Consequently, there became a shortage of meat items in the retail stores and prices were high.

Consequently, due to the longer production cycle of the turkey, turkeys were available, immediately available, and consequently, the retailers, needing something desperately to put into their meat cases, came to the turkey industry, and here again, according to definition, the Cost of Living Council defined turkey as a raw agricultural product and not subject to control. Consequently, there was a tremendous demand on the part of retailers, and following the principle of supply and demand, the prices went up, and I will agree, sir, the prices went too high. We always thought rather smugly that the demand for turkeys at Thanksgiving particularly, and perhaps at Christmas, was rather inelastic, that the consumers would buy turkeys from us at any price.

I want to tell you, sir, that this past Thanksgiving we had that smug smile wiped off our face because simply the consumers resisted these higher turkey prices. Our movement is disappearing. Thanksgiving was down 8 percent. It was down 13 percent in December. Consequently, what happened, we had January 1 this year, it was something like 280 million pounds of turkey in storage. This was approximately 80 million pounds more than we carried over the year previous. Again reverting back to the length of the production cycle for a turkey, these turkeys were down and growing that were to be marketed during the year, which normally would have satisfied the demand for the first 3 to 4 to 5 months. But when you throw another 80 million pounds on top of what already was growing, our situation became very untenable from the standpoint of prices reflecting back to the producers. Consequently, market value dropped, costs came up, so we were caught in the costs-price economy squeeze. That is where we are today.

The producers basically are trying to take themselves in hand and cut back some in the connection of a \$3 to \$4 a bird loss. As Mr.

Shepard indicated, you cannot accomplish this in the turkey industry overnight.

Mr. FOLEY. Gentlemen, we want to thank you very much.

Mr. ZWACH. Mr. Chairman, I certainly agree with the gentleman that the consumer has been helped from this purchase program by the Government for school lunches. I think that there is just no way that we could get so much for that kind of money. On the other hand, as a beef feeder, I also agree that at a critical time it does help that industry some. But the real bargain is to the consumer. I certainly support it fully.

I do not know where we can get that amount of good food for that amount of money except by this kind of approach, bringing when prices are low and making purchases and distributing it across the country. I think this is essential.

Mr. FOLEY. We appreciate your appearance and your testimony.

We now call Mr. George Hecht, chairman of the American Parents Committee and publisher of Parents Magazine, New York City, N.Y.

STATEMENT OF GEORGE HECHT, CHAIRMAN, AMERICAN PARENTS COMMITTEE; PUBLISHER, PARENTS MAGAZINE

Mr. HECHT. Mr. Chairman, you have just heard fine testimony about turkeys. I am going to testify about millions of undernourished children.

Mr. Chairman and members of the committee, I am most grateful for the opportunity to testify before you today in support of legislative proposals affecting the several child and family nutrition programs which use commodities supplied by the U.S. Department of Agriculture. I refer to the school lunch programs; special food service for day care and other nonresidential institutions; summer food programs; commodity donations to charitable institutions; the supplemental food program for infants and young children; and the family food distribution program.

The American Parents Committee supports legislation to extend for at least 2 years the special commodity purchase authority contained in the Agriculture Act of last summer. Without such legislation, many of the programs I have listed would be severely hampered. Others would disappear entirely.

Let me turn first to the school, day care and summer feeding programs. While schools now receive only an average of 7 cents worth of USDA purchased commodities per lunch, most are able to double the real value of these foods in meal preparation. The USDA proposes to substitute 7 cents cash. Even if individual schools were about to equal the USDA's purchasing power in wholesale markets—which, of course, they cannot—the 7 cents cash spent on pre-processed food would not replace the value of donated commodities cooked into school lunches.

This fall, the price charged for school meals rose by 5 to 10 cents in many school districts. As a result, approximately one-half million children unable to afford the higher price dropped out of the lunch program. The increased sale prices have had their greatest impact, moreover, on working poor and middle-income families. If

food prices continue to rise, and the USDA itself predicts a 12-percent rise, school meal prices will increase again this fall and participation will drop further, seriously jeopardizing the financial viability of many individual school food programs. Already cost factors have caused some schools to substitute vending machines for type A lunches. It is unthinkable that we would add to existing financial strains in the school lunch program by withdrawing commodity supplies.

According to the Children's Foundation, a Washington-based antihunger organization, the situation of day care and summer food programs is even more serious. Per meal cash reimbursements for these feeding programs have not kept us with increased food costs over the past several years and the average per meal rate has been falling just as costs have skyrocketed. In fiscal year 1973, average per meal reimbursements were at 16.3 cents, down from the fiscal year 1971 figure of 16.8 cents. The loss of commodities represents a further reduction. Moreover, no cash-in-lieu-of-commodities program for day care, headstart or summer food programs is available. These programs will not be compensated, even partially, for the lost commodities.

The Children's Foundation reports that the same is true of commodity donations to charitable institutions. No commodity cash-out is available at the orphanages, homes for the elderly, institutions for the handicapped or the like, which traditionally have supplemented their food programs with USDA commodity donations.

Of the 1,249,956 institutionalized Americans who benefit from this food assistance, 237,597 are children—wards of the state, mentally ill, and physically handicapped. Some 151,447 are elderly people in various kinds of nonprofit homes. Federal support for their food programs should not be abandoned.

The proposed end of donated commodities follows several years of program reductions. In fiscal year 1973, \$24.2 million was spent on commodities for institutions. That figure dropped to \$18.86 million for fiscal year 1974 and \$16.03 million in the fiscal year proposed budget.

Government-operated and private nonprofit institutions simply cannot increase food budgets to compensate for the rising food costs and loss of donated commodities. Some institutions have had to increase food expenditures this year by 35 percent. The increase has to be made up out of tight program budgets, often sacrificing vital rehabilitation services. If we are to continue to care adequately for the nearly 1.3 million Americans presently in institutions, we need to increase, not abandon, Federal food assistance.

The commodity supplemental food program for pregnant and nursing women and their young children is one program which will disappear entirely if the USDA ceases to purchase commodities.

In January 1974, the diets of 26,000 infants, 90,000 children and 27,000 women were supplemented by the high protein and iron rich foods of the supplemental food program. These 144,000 mothers and children are healthier because they participate in this supplemental nutrition program.

The supplemental program is also an extremely valuable health program. In many clinics it is a vital aspect of comprehensive

health care. The program introduces hundreds of families to health clinics and initiates their involvement in regular preventive health care activity. The program provides thousands of low-income children with the chance for proper growth and development. It must be continued.

Lastly, let me turn to the family food distribution program, which will be closing down all across the country by June 30 of this year. The end of the program is mandated by the implementation of the food stamp program nationwide. While in most areas this is a welcome improvement, there are some important exceptions. The food stamp program is designed for—and works best—in fairly urbanized areas. In sparsely populated rural areas, it is much harder to implement and, in a few areas, impossible to implement without extensive infrastructure and retail development.

In conclusion, let me state briefly the recommendations of The American Parents Committee:

One, we believe that the traditional levels of commodity purchases for schools, day care centers and summer food programs should be maintained as long as the schools and centers request them. Present purchasing authority should be continued for at least 2 years and for as long as it is necessary.

Two, we believe that commodities must continue to be purchased and distributed through the supplemental food program for infants and young children at nutritional risk, and that no individual program should be terminated until the new WIC—women, infants and children's program—is expanded to reach all present supplemental food program participants.

Three, we recommend that commodity donations to charitable institutions be continued at the fiscal year 1973 level—\$24.2 million—and be maintained at that level until a better program of Federal food assistance to institutions can be devised.

Again, let me say how much I appreciate the opportunity to appear before this committee to express the concerns of the American Parents Committee regarding Federal food assistance. Donated commodities comprise an important part of this assistance. The continued purchase of commodities is vital to meeting the needs of the children and families the food programs are designed to serve.

Mr. FOLEY. Thank you very much, Mr. Hecht. We are pleased that you have taken the time to appear before this subcommittee.

In addition to being a very distinguished publisher and president of the American Parents Committee, I note that you are also vice president of the Child Welfare League of America. I know you have devoted enormous talent and efforts over the years to the welfare of American children and needy families and we are especially grateful to you.

Mr. HECHT. I think some 20, 25 years ago I lobbied on behalf of getting the original school lunch program legislation passed.

Mr. FOLEY. I know you have been a great pioneer in this area.

Mr. GOODLING. One question, Mr. Hecht. I notice you are a publisher, as the chairman just said. I have asked this question of other witnesses. I admit I have not yet had a responsible reply.

Mr. HECHT. I am not sure I will be able to.

Mr. GOODLING. Magazine editors are supposed to have all of the answers, I thought.

Mr. HECHT. I am not the editor, I am the publisher.

Mr. GOODLING. This is my question: what do you propose that the Federal Government use for money to carry out all of the programs in which some of us are interested.

Mr. HECHT. There are many ways that the Federal Government could save money. I think an awful lot of money is wasted in our defense program.

Mr. GOODLING. That is the answer I get from everybody.

Mr. HECHT. I would be glad to continue if you will let me.

I am not an economist. I can tell you a lot of ways that the Government can raise money. Much too much money is spent on highways. The highways of America are finer than any around the world, and we use the gasoline tax largely for highways. Much of that money could be used for education and child health.

Mr. GOODLING. I do not want to continue the argument.

I think that I should point out that the highway fund does not come out of general tax revenue.

Mr. HECHT. I know, but they could be used for other purposes than highways. I am fairly familiar with that. There is nothing in that act that restricts the use of the funds that the Government gets on the gasoline tax to highway construction. There is so much unnecessary highway construction going on now, perhaps due to the successful lobbying of the automobile and gasoline industry.

A lot of that money—not all of it, but a lot of that money—could be used for public health, school health, and the education of the American children.

Mr. GOODLING. One last observation, Mr. Chairman.

It would require legislation to do what you are talking about.

Mr. HECHT. Of course. Almost every important change requires legislation. I will be glad to lobby for it.

Mr. FOLEY. Are there any other questions?

I wish to associate myself with your remarks and agree that the best way the Federal Government can wisely invest in the future is in the nutrition and welfare of its children. In recent years, we have seen particular information on retardation and the effect of malnutrition in the future health of children. There is nothing that the Congress has done in recent years that will contribute more to the advanced welfare of the people and future generations of this country than the increased emphasis on nutrition. I hope the Congress and the country will continue to support this commitment.

Mr. THONE. I would like to associate myself with those remarks, but also add that if you lived out in rural Nebraska or rural Minnesota, you would think that highways also are needed investment. I think my friend from Minnesota here, Mr. Bergland, would agree.

Mr. HECHT. I have travelled all over the United States, and while I am not saying that we do not need good highways, I think that an excessive amount of money is being spent now—I am not saying about the past. That money has been spent. I do not think it has been misspent—but I think temporarily we should spend a smaller amount of the gasoline taxes for highways and use some of that

money on behalf of the nutrition and child health and the education of children.

Mr. BERGLAND. Mr. Chairman, I would like to compliment Mr. Hecht, and I firmly believe that if Government, whether it be at the local, State or Federal level, abandon its commitment to feeding people who need help, the results will be catastrophic, and I know of no one in Congress suggesting that this commitment be terminated. We are searching for a means by which that commitment can be fulfilled at the least possible cost.

I think your testimony aptly demonstrates that the most economical means by which we continue this is through the extension of the commodity programs, and I commend you, sir.

Mr. HECHT. Thank you.

Mr. FOLEY. Thank you very much for your testimony.

The next witness is Mr. Ray Garcia, Los Angeles County Welfare Department, representing the National Association of Counties, Washington, D.C. He will be accompanied by Mr. Ralph Tabor, Director of Federal Affairs, the National Association of Counties.

Mr. Garcia and Mr. Tabor, we welcome you.

STATEMENT OF RAY GARCIA, LEGISLATIVE COORDINATOR, DEPARTMENT OF PUBLIC SOCIAL SERVICES, LOS ANGELES COUNTY, CALIFORNIA, ON BEHALF OF NATIONAL ASSOCIATION OF COUNTIES, WASHINGTON, D.C.; ACCOMPANIED BY RALPH TABOR, DIRECTOR, FEDERAL AFFAIRS, NATIONAL ASSOCIATION OF COUNTIES

Mr. GARCIA. Mr. Chairman, members of the subcommittee, my name is Ray Garcia and I am the legislative coordinator for the Los Angeles County Department of Public Social Services. I am here today to represent the National Association of Counties (NACo) and present the association's viewpoints on the Food Stamp Act Amendments as contained in H.R. 12168 and S. 2871 (as approved by the Senate Committee on Agriculture). Accompanying me is Ralph Tabor, NACo's Director of Federal Affairs.

Mr. Chairman, we appreciate the opportunity to testify before your subcommittee and are particularly pleased that you are considering amendments to the food stamp program as well as the commodity distribution program. Both programs are extremely important to county governments.

Both of these bills would provide for an expansion of Federal financial participation, at 62.5 percent, to all administrative costs of the food stamp program.

Simply stated, the costs of administering this Federal program rent statutes, the Federal Government participates at 62.5 percent in some of the administrative costs, such as employee salaries, fair hearings, and Outreach activities (advertising and recruitment of potential recipients). However, there is no financial participation in the overhead costs such as the food coupon issuance expenses, postage, and related computer costs. When you spread the existing Federal share across the board and compare it with the total program costs,

we find Federal participation diminishes to about 29 percent of the expenses.

As an example, in my own county of Los Angeles, the overall costs of the food stamp program run about \$26 million a year. Of this total, the Federal contribution is \$7.5 million—or 29 percent; the State of California pays \$4 million—or 16 percent of the total; and the heaviest share, \$14.5 million—or 55 percent—is borne by the county.

The food stamp program has been expanding at an overwhelming pace. According to recent surveys, the total administrative cost of this Federal program for fiscal year 1973 was \$154 million. The Federal share of this cost was only \$43 million, leaving \$111 million carried by State and local governments. By contrast, the projected cost of administering the program in fiscal year 1975 is estimated at \$287 million. Of course, about 60 percent of this increase is attributed to the mandatory conversion of commodities distribution programs to a nationwide food stamp program. At the current sharing ratio, this overall increase represents an additional \$84 million cost to the State and local taxpayers.

We believe that the Federal Government, in its efforts to expand food stamps into a nationwide program, should share in all the administrative costs. This increase in financial participation is of paramount importance to those counties which are now required by Federal law to convert from commodities distribution to food stamps by July 1 of this year. Many of these counties reportedly would have voluntarily converted to a food stamps program long ago if the local administrative costs had not been so prohibitive.

San Joaquin County, Calif., for example, has just completed the conversion from commodities to food stamps. That country's annual cost for commodities distribution was \$190,000; now, with a food stamps program, San Joaquin County will spend approximately \$490,000—over a quarter-million dollar increase.

It is apparent that the cost of the food stamp program has become a heavy burden for the local taxpayer, and it is most difficult now to raise revenues at the local levels to meet these increasing costs. In California, a recent State law has placed a lid on the local property taxes, our major source of revenue. With this tax rate consultant in California, Los Angeles County will need an additional \$40 million just to balance the county budget. Revenue raising limitations, expanded programs and services, and inflation are all becoming perplexing issues facing state and county officials.

These fiscal problems are not unique to Los Angeles County—nor to the State of California. County governments across the country are meeting the common problems of rising costs and diminishing revenues. For these reasons, the National Association of Counties is looking to the Federal Government for relief. We believe that the Federal share in the costs of the food stamp program must be expanded to a more realistic level.

We further recommend that the subcommittee favorably consider a provision of S. 2871 which is not contained in H.R. 12168. I refer to section 18 in the Senate version, which would permit the Secretary of Agriculture to waive compliance of Food Stamp Act pro-

visions and regulations, in order to enable the testing of demonstration or pilot projects.

In recent years the food stamp program has grown dramatically in size and complexity. Currently, Los Angeles County provides over \$18 million worth of food coupons each month to 640,000 persons. For recipients with earned income, we must make complex, detailed computations to determine the family's purchase price for food stamps. This process is further compounded by detailed adjustments for hardship exemptions—such as excess rent.

For some time, the County of Los Angeles and the State of California have been attempting to get Federal waivers to test simplification programs. Essentially, these pilot projects would be designed to provide standard income exemptions and develop a flat food stamp purchase requirement based generally on family size and average income. We do not propose to provide a system of income disregards, but rather a uniform exemption for common hardship cases. We believe that considerable savings would be realized at all levels of Government by a reduction in administrative costs yet with acceptable levels of accuracy. The current system of precise computations is based on the recipient's estimate or projection of future income. It is expected that a system of flat exemptions would produce less variances in the monthly purchase requirement.

The National Association of Counties supports all the provisions of these two bills now pending before this subcommittee. We believe that the extension of commodities distribution is essential to sustain the school lunch and other domestic food programs at their current levels.

Again, we thank you for this opportunity to testify on these important issues. We firmly believe that any legislation dealing with commodities cannot be separated from food stamps. We urge the subcommittee to act favorably in your considerations to expand Federal participation in program costs, and to permit the testing of demonstration projects.

Thank you very much.

Mr. FOLEY. Thank you, Mr. Garcia and Mr. Tabor.

Are there any questions?

Mr. GOODLING. Mr. Chairman, I always seem to hear statements that I must challenge. I do not know why. Maybe this is my bad day.

I would think that it comes with poor grace to have a man from California come to this committee and plead poverty. Correct me if I am wrong.

Did not the State of California have a balance of \$900 million last year?

Mr. GARCIA. In the State of California? Well, sir, I believe it was about \$800 million, and that, I believe, was the year before that, and I think that money has all been depleted, if I am not mistaken.

Mr. GOODLING. Did it not refund something like \$700 million to the taxpayer?

Mr. GARCIA. To the taxpayer, yes, sir.

Mr. GOODLING. The taxpayer of California?

Mr. GARCIA. That was a tax credit.

Mr. GOODLING. Why does not the State of California pick up some of the tabs rather than going to the Federal Government for help?

I believe the State of California is in a far better financial condition than the U.S. Government.

Would you agree with me on that?

Mr. GARCIA. I would agree with you on that last statement, yes, sir, I would.

Mr. TABOR. Mr. Goodling, if I may add a comment to that.

While it is true that the State of California may have had a surplus, if you calculate that on an annual basis, as you know from your experience with State government, it is not figured exactly in many States like it is in the Federal Government where you can have a balance and it is showing at an exact surplus. Many times you have carryover funds and you have got to show those carryover funds in a clearer way than you would have to in the Federal budget.

So I think that is one partial explanation of that. The other thing is even the State of California, no matter how well it is bringing in revenue, that does not help the individual counties unless we can get something through the State legislature to get more relief. As you saw from Mr. Garcia's testimony, the counties are putting up a lot more money in the administration of food stamps in this State much more so than in your own State, where it is almost 50-50 on a State-local match for the non-Federal part. And I think it is also true that if we look at your State of Pennsylvania, that the counties would not be in the same kind of financial position that might be true in some of the counties in California.

Mr. GOODLING. I might say my own State of Pennsylvania is crying poverty all the time. Representatives from the Governor's office are down here practically every other day asking for additional funds from the Federal Government.

I wish we had a system in the Federal Government whereby we could not have these deficits that we have year after year. I think we have had something like two or three balanced budgets in the last 40 years.

Do you think we can continue that and remain healthy, if we are healthy now financially?

Mr. TABOR. If the Federal Government had to depend, Mr. Goodling, on the property tax and State and local governments, particularly county government, could use the income tax, it might be a little bit different.

As you know, we have real problems trying to raise revenue even if we have a fast-growing area, and we are coming around on reassessments every 2 years or so and we are increasing fiscal assessments and growth. The growth in the property tax is not keeping up with inflation. We are being hit harder at the local level right now by inflation than anything else.

We talk about 8 percent. If you talk to most of those counties out there, we are talking 12, 13, 14 percent, as far as inflation. That is just standing still. That is not adding any new services, any new staff or anything else.

Mr. GOODLING. I pay considerable income tax in my Commonwealth of Pennsylvania every year.

Mr. FOLEY. I do not want to interrupt the discussion.

Mr. GOODLING. I am finished, Mr. Chairman.

Mr. FOLEY. I think the States of New York and California, and the Commonwealth of Pennsylvania account for a lot of Federal revenue. California, among other States, would be delighted if they could retain all Federal income taxes within the State.

In any event, we do have occasional difficulties, Mr. Tabor, with the request for additional operating and support funds for programs that are in part federally financed and financed in part on the State-local levels.

We are attempting to meet some pressing deadlines in this legislation with the termination of the Department's authority to purchase nonsurplus commodities and will have to act very shortly, at least with respect to these commodities because of the pending expiration date of June 30.

You indicate in your statement that about 640,000 recipients are currently receiving food assistance. Does that include both food stamps and commodities?

Mr. GARCIA. No, sir. Los Angeles County only has a food stamp program.

Mr. FOLEY. You do not have the additional commodity program?

Mr. GARCIA. No, sir.

Mr. FOLEY. Has the food stamp program generally found acceptance in the counties compared with the former commodity distribution?

Mr. GARCIA. In Los Angeles, very much so.

Mr. FOLEY. Do you tax food in the State of California?

Mr. GARCIA. Yes, food is taxed.

Mr. FOLEY. What is the percentage of sales tax? 5 percent?

Mr. GARCIA. I think it is up to 6 percent now. I believe it was 6 percent on the 1st of April.

Mr. FOLEY. Is any portion of that rebated to the counties?

Mr. GARCIA. I am not sure.

Mr. TABOR. I do not think it does, Mr. Chairman.

Mr. FOLEY. There is no city or county sales tax in addition?

Mr. GARCIA. Los Angeles City has a sales tax.

Mr. FOLEY. Is it on food?

Mr. GARCIA. It is tacked onto the State sales tax.

Mr. FOLEY. Does it apply to food?

Mr. GARCIA. I do not know, sir. I will find out that answer.

Mr. GOODLING. Are you saying that you tax food at the super-market?

Mr. FOLEY. Yes, sir.

Mr. GOODLING. That is one evil we do not have.

Mr. TABOR. We have some other California county representatives here and I checked back. They say food is not taxed in the sales tax in California.

Mr. FOLEY. There is an exception for food.

Mr. TABOR. Yes.

Mr. THONE. Mr. Garcia, how long have you been with the public social services in Los Angeles County?

Mr. GARCIA. Five years.

Mr. THONE. When did you make this transition to food stamps?

Mr. GARCIA. There was always a food stamp program in Los Angeles.

Mr. THONE. You never had a dual system?

Mr. GARCIA. No, sir.

Mr. THONE. You mentioned this once already but I take it you found that the food stamp program exclusively works out quite well.

Mr. GARCIA. In Los Angeles County, yes, sir, it does. We have a computerized system, as far as the administration of the program is concerned. We have something like 68 agents throughout the community. We contract for the issuance of food stamps with the banks and independent issuing agents that are located in various communities and neighborhoods throughout the county. It is no more difficult for a recipient to purchase food stamps within Los Angeles County than it would be to go to the bank and cash their check.

Mr. THONE. You are not advocating at all the reinstitution of the commodity program in your county?

Mr. GARCIA. For our country, no, sir. We have not operated one. The county is satisfied with the Federal food stamp program.

Mr. THONE. Thank you. Lastly this, either for you, Mr. Garcia or Mr. Tabor. The section of the bill that seems to be a red flag is the one that increases the Federal financial participation to 62.5 percent. One of the witnesses, Mr. Tribble, from the National Indian Congress said that it looked to him like this might cause a veto of the bill.

Is there anything magic, so far as you are concerned, about the 62.5 percent participation on the part of the Federal Government, or what are your thoughts generally on this?

Mr. GARCIA. Right now, as I say, when you spread—

Mr. THONE. You are getting 29 percent.

Mr. GARCIA. 29 percent. We are taking the total as far as the program is concerned. The State does not really participate in our administrative costs.

Mr. THONE. Have you made a determined effort to get more State participation in this matter?

Mr. GARCIA. Yes, we have.

You see, food stamps is part of a complex program. We are talking about food stamps that are issued to welfare recipients, which we call our assistance case load, and food stamps that are issued to nonwelfare type people, the working poor, and there are two claim ratios or two separate participation ratios. According to procedures our nonassistance case load comes under USDA as far as claiming. They participate at 62.5 percent. The cost that I enumerated, employee salaries up to firstline supervision and so far, their computer costs, the cost of postage. We are talking about 160,000 families. I said 640,000 food stamp recipients, that is persons, but these are about 160,000 households in the county. Of course, we are computerized. We have to be with that size of a case load for issuance of the purchase authority, and so forth. So our computer cost and our postage cost and so forth are 100 percent county expenses. The State does not participate in those expenses.

As far as the public assistance case load, that would be your welfare-related food stamp recipient. A welfare family is automatically eligible. There is no income test to food stamps.

Acclaiming of certain activities within the public assistance case load can come under our 50 percent Federal claiming for HEW, as far as our regular welfare case load is concerned.

So we are talking about two sharing ratios, HEW, of course, when we talk about a welfare-related case load, which is the largest case load, of course. Even at 50 percent Federal reimbursement, we are doing much better than the 62.5 percent for the nonwelfare case load, which, as I say, if spread out comes out to about 29 percent.

The biggest cost, of course, would be the computer cost and the overhead, but there is no participation from anyone. The county taxpayer alone has to foot that bill.

Mr. THONE. Do you have a direct response on the 62.5 percent? Is there anything magic about that as far as you are concerned?

Mr. TABOR. If I could answer on the 62.5 percent. There was some discussion with us earlier on the Senate side and with some of the other groups about maybe trying with some lower percentage than 62.5.

Certainly, if we compare what we have now and say some higher percentage like 50 percent, we are better off and it might be easier as far as computing goes if we had a flat percentage like 50 percent.

We think that the 62.5 would be a good percent because that is what we have been working with, and it would be easier at the same time. We are in a position now that if this committee could see fit to come in with a higher percentage than what our average turns out to be, if we could come up with some flat rate covering all administrative costs, not making these exceptions for the different administrative costs, this still could be a very good position.

As far as the Administration's position goes on this, whether they would veto the bill at 62.5 percent, I have no indication, or that they are taking any position on this at all. The figures that were given in the testimony, the difference between what we have got now and what we have estimated in 1975, does not appear to me to be a veto item. We are not talking about that much money.

Mr. THONE. Mr. Garcia.

Mr. GARCIA. I would say the 62.5 percent is not magic. The key is the participation in all the administrative costs.

Mr. THONE. Thank you, Mr. Garcia.

Mr. GARCIA. Our computer cost is our greatest expense, about \$2½ million.

Mr. THONE. You have been an excellent witness. Thank you very much.

Mr. FOLEY. Thank you both. We appreciate your appearance here today.

The next witness is Mr. Steven A. Minter, commissioner, Massachusetts Department of Public Welfare, representing the National Council of State Public Welfare Administrators of Boston, Mass.

Mr. Minter, welcome to the subcommittee.

STATEMENT OF STEVEN A. MINTER, COMMISSIONER, MASSACHUSETTS DEPARTMENT OF PUBLIC WELFARE, REPRESENTING THE NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS, BOSTON, MASS.

Mr. MINTER. Thank you, Mr. Chairman, members of the subcommittee.

The legislation which is before you today is vitally important to the successful operation of food supplement programs throughout this nation. I am here representing the National Council of State Public Welfare Administrators in support of H.R. 12168, which would, among other things, increase Federal participation in the administrative costs of the food stamp program.

The food stamp program has become in recent years an increasingly important element of support in the lives of America's low-income population. One of President Nixon's former social policy advisors has called the food stamp program "the single most important welfare change in America since the passage of the Social Security Act of 1935."

I suspect that this may be an overstatement—yet a mere glance at the rate of inflation in the supermarket demonstrates clearly the value of the food bonus. In the last 12 months the price of food has increased nationally by a full 20 percent.

Last year the Congress reinforced its support of the food stamp program by mandating its implementation nationwide, and by concurrently terminating the commodity distribution program as of July 1, 1974. The problem of increased administrative costs that result from such an expansion is addressed in Representative Melcher's bill H.R. 12168.

At the present time, the Department of Agriculture provides 62.5 percent reimbursement of certain costs associated with the food stamp program; the two-thirds matching is available for the determination of nonpublic assistance eligibility, for quality control, fair hearing, Outreach, and sundry items such as travel, postage, and printing costs.

By far the more costly administrative expenses are paid for by State and local governments. These include the costs connected to distribution and issuance of stamps, plus the cost of determining eligibility and certifying public assistance recipients. The heaviest costs are associated with the food stamp transaction fee paid to the agents who issue stamps, and with the number of staff needed to process applicants. I believe the complexity of the food stamp program is little known to people outside USDA, the local agencies that administer the program, and the beneficiaries themselves.

The application and certification process is easily as complicated and time consuming as that for public assistance eligibility—a factor which cannot be overlooked when one considers the magnitude of the expansion scheduled to take place after July 1st.

In my own State of Massachusetts, for example, the changeover from a mixed food stamp and commodity distribution program to a food stamp program only is a massive undertaking. At the present time, we operate a food stamp program in only 37 of the 351 cities

and towns of the Commonwealth. The cost to the State for administering this small food stamp program was \$587,144 in the current fiscal year, and the Federal Government paid \$178,503 toward administrative expenditures. Next year, with the initiation of a State-wide food program, Massachusetts has budgeted \$4 million for administrative costs. The USDA contribution for administrative expenses is estimated to be \$1 million, unless the present reimbursement formula is changed. I do not think I have to point out to you the impact of a \$3.5 million addition to any State budget.

To elaborate, in Massachusetts with the food commodities program, a substantial portion of the administrative cost for that program was picked up for 100 percent out of USDA funds. The State paid about 25 percent of the funds for that, plus the value of all of the food commodities, which, in fact, if the persons received all of the 21 or 23 items that they are eligible for, it is more than the value of the amount of bonus that the average person would get in the food stamp program. So this is, in fact, a tremendous exchange.

In fact, it is my expectation that any costs projected for the expanded food stamp program in the coming year are in all probability quite low. It is difficult, given the rising rate of unemployment and continuing inflationary pressure, to estimate how many Americans has predicted in its fiscal year 1975 budget recommendations that higher eligibility standards and a higher bonus will have a profound impact on the program. The Agriculture Department estimates that 14.2 million Americans will be participating in the program at the end of the current fiscal year, and 15.8 million will be taking part 1 year later. And, as you are undoubtedly aware, Congresswoman Marth Griffiths predicts that more than one in four Americans may be eligible for food stamps in 1976, this based on a report of the Joint Economic Committee of the Congress.

Unquestionably, all of us in this room want to work to ensure that every American family that is entitled to food stamps is aware of that fact, and certified to purchase the stamps as soon as they need them. But State and local government must cope with the fiscal reality that each new family or individual represents a certifying cost plus a twice-monthly transaction expense which, in Massachusetts, amounts to \$1.06 per transaction. Despite the congressional mandate embodied in the Agriculture and Consumer Protection Act of 1973, we fear that the food stamp program is going to function with built-in limitations so long as the States continue to finance, on the average, 72 percent of the administrative costs of the program.

House bill 12168 would, in addition to increasing the Federal financial participation in the food stamp program, continue the Agriculture Secretary's authority to purchase commodities vital to the operation of a number of supplemental food programs. The commodity purchase authority which is scheduled to expire on June 30th now makes possible the provision of nutritionally balanced meals for poor children in schools, day care centers, orphanages and summer camps, as well as other institutions.

In the Commonwealth of Massachusetts in the current fiscal year, 112 million meals have been served through the school lunch pro-

gram alone. There are more than 650,000 Massachusetts children who benefit every day through food service programs that are made possible in part due to the commodity purchase authority. There is no question that without the availability of commodities, or cash reimbursements in lieu of commodities, the sponsors will not be able to maintain food programs at current levels.

The legislation also speaks to issues of particular importance to our American Indian population. I believe you have heard from other witnesses on those provisions of the bill.

On behalf of welfare administrators throughout the country, I urge your committee to act favorable on H.R. 12168 as soon as possible.

Mr. FOLEY. Thank you very much. We appreciate your statement.

Mr. THONE. Very briefly, are you on a fiscal year basis in Massachusetts, or annual year?

Mr. MINTER. Fiscal.

Mr. THONE. This \$4 million you have budgeted, has that already been passed by the legislature, or is just proposed?

Mr. MINTER. It has been passed by the House of Representatives. I believe it was passed by the Senate yesterday.

Mr. THONE. In other words, you have got your \$4 million?

Mr. MINTER. Yes, I have got \$4 million.

Mr. THONE. From the State of Massachusetts?

Mr. MINTER. From the State of Massachusetts. However, that as yet has not dealt with the realities of where does all the revenue come from to balance that overall State budget, and there is considerable concern and prediction about the need for possibly in excess of a \$200 million tax program. The \$4 million is based on the average participation of the State of Massachusetts in the next fiscal year of 110,000 households.

Even during the debate of this program, the issue that has come up is that we have been conservative, and that it will probably hit 150,000, and there are other persons who are saying we will have 200,000 participating households, given the tremendous impact on working families. There are figures which suggest that the average household, between 1972 and 1973, lost \$200 in actual food purchasing power. Massachusetts, being switched over from food commodities to food stamps, there has been a tremendous generation of interest in the program.

Mr. THONE. I am not the hard-liner that my friend Mr. Goodling from Pennsylvania is on this subject. But I think he does have a point. It is awfully easy to come to Washington and ask the Federal Government to underwrite some of these administrative expenses that local or state governments can provide themselves, if they just want to. And I think perhaps you have dramatized it a little by not pointing out that Massachusetts, when faced with this, rose to the occasion in the legislature and appropriated the \$4 million that you needed in this regard; and I certainly understand the State budget problems. We certainly have them out in Nebraska.

Thank you, sir.

Mr. FOLEY. Mr. Bergland?

Mr. BERGLAND. Mr. Minter, you stated you have a food stamp program operating in 37 towns in the Commonwealth of Massachusetts. Do you have a food commodity program in some of those that are not served by the food stamp program?

Mr. MINTER. It is only food stamps. We do not have a dual system; it is not permitted.

Mr. BERGLAND. Do you have any place in the State where you would have the distribution of commodities only?

Mr. MINTER. Yes, in all the rest of the cities and towns in the State. The balance of the 351 cities and towns, or about 329, are supposed to have only food commodities.

Mr. BERGLAND. Does your association—and you are here to represent the National Council of State Welfare Administrators—take the position, or have any opinions on, the matter of running dual programs concurrently?

Mr. MINTER. The National Council has taken the position that given the legislation as it is at the present time, that it favors the food stamp program. There has been concern expressed, however, about the phasing out of time, of having phased the commodity program out just like that on June 30—the Council certainly would not be opposed to seeing some extension in that time.

Mr. BERGLAND. Does that concern arise out of the problems encountered in the transition or are they suggesting a permanent expansion?

Mr. MINTER. Let me be very clear, and say that since the Council represents every State, that I would not represent the unanimous opinion of all 50 States. I think it is fair to say that the vast majority of States are ready for the food stamp program. That is the program they are geared towards succeeding.

Mr. BERGLAND. Your problem now is the one incurred in the transition.

Mr. MINTER. That is correct. Even in my own State, that is a very serious problem as we come up against that deadline, and we have requested the U.S. Department of Agriculture to permit us to operate a so-called dual system for the months of July and August, so that any persons who might fall between the gaps from going from one program to the other would be assured of at least getting food commodities during those last 2 months.

Mr. BERGLAND. What has been their response to your request?

Mr. MINTER. I believe that their response is going to be an affirmative one. It is something that they have expressed concern about, too.

Mr. BERGLAND. Thank you, sir. That is all, Mr. Chairman.

Mr. FOLEY. Mr. Minter, I only want to make one comment. I am very happy to have your testimony today, on your own behalf and the Council of State Public Welfare Administrators.

Speaking personally, I have always felt that the food stamp and commodities distribution programs have fallen far short of serving those who are eligible. I suppose some Members of Congress worry that, if the State and local governments pay part of the administrative costs of the program, there may be a laxity on

the part of the qualifying authorities to assure that only qualified recipients participate.

On the other hand, there is some fear that, if the Federal Government would pay all the administrative costs of the program, as well as all the bonus value of the stamps; State and county administrators of the program would not use energy in eliminating cases of persons who might be participating in the program without proper certification. This runs somewhat in conflict with the opposite view.

Mr. MINTER. May I comment to that?

Mr. FOLEY. Yes.

Mr. MINTER. First of all, I think that the States and localities are not trying to get out of cost sharing. We are trying to change the proportions to assess. Second, State and local administrators have gotten used to things, what the Federal Government calls financial incentives, that is incentives referred to as fiscal sanctions. We get a mandate to be assured that family planning is available to all the eligible families. If we do not, we suffer a fiscal sanction for that, that all of the women enrollees that are required to participate in the program as passed by the Congress of the United States; and if we do not succeed, there is a fiscal sanction for that. In both the public assistance programs, and in the food stamp program, there are quality control standards. If we fail to meet those standards, we again suffer the possible loss of funds after they in fact have been spent.

So, I think there are powerful incentives built into the system, or disincentives, to encourage States and counties to try and do something along this line. I think if I might, for a moment, we could discuss the State of Massachusetts coming against this July 1 date, and formally appropriating the \$4 million. There is a certain reality, and the reality is we have over 300 cities and towns that do not have the food stamp program, even though the State administration considered that to be a superior program to food commodities. The reality was that the tremendous expense of the administrative systems, and the additional numbers of personnel, and so forth, were such that anything short of the kind of thing that just flat-out terminated the food commodities program on July 1 we would not foresee in getting this program off the ground.

As I am sure you will appreciate, despite the amount of dollars involved when you go up to a legislative committee in a county or State these days to get a new program started, we need \$3½ million more dollars, and increase our personnel allotment by 239 persons against the kind of backdrop of the pressure in the States and the counties, among personnel, there is tremendous reluctance to do it, and they do not, and it has taken a fantastic amount of work in the State of Massachusetts to finally really come to grips with that. My concern now is that, OK, now we have a statewide program. It is a good program, that can benefit a great many persons. The State's ability to do the kind of job of outreach in public education, and those kinds of things, I think, is to a very significant degree dependent upon some sense of being able to get some kind

of balance on their shared administrative cost for the program. Otherwise, you have the built-in problem of persons being concerned about you fulfilling that kind of mandate. The last thing in the world they want us to do is advertise, and to tell people what they might be eligible for.

Mr. FOLEY. Thank you again, Mr. Minter. You have been a very effective and articulate spokesman for the National Council, and we are glad that you appeared before the subcommittee this afternoon.

Our next witness will be Mrs. Lillian J. Huff, chairperson, Mayor's Commission on Food, Nutrition and Health, Department of Human Resources, Washington, D.C. Mrs. Huff will be accompanied by Mrs. Doris Thornton, chief, Supplemental Food Program; Mrs. Mildred Jo. Brooks, executive secretary; Mrs. Hilde Ballestro, member of the Mayor's Commission.

STATEMENT OF LILLIAN J. HUFF, CHAIRPERSON, MAYOR'S COMMISSION ON FOOD, NUTRITION AND HEALTH, DEPARTMENT OF HUMAN RESOURCES, WASHINGTON, D.C.; ACCOMPANIED BY DORIS THORNTON, CHIEF, SUPPLEMENTAL FOOD PROGRAM; MILDRED J. BROOKS, EXECUTIVE SECRETARY; HILDE BALLESTRO, MEMBER, MAYOR'S COMMISSION ON FOOD, NUTRITION AND HEALTH

Mrs. HUFF. To the chairman of the committee, on behalf of the Commission on Food, Nutrition and Health, I would like to thank you for this opportunity to appear before you today.

The District of Columbia has a population of about three-fourths of a million. Of these, 169,000 are women between the usually considered child-bearing years of 20 to 49, and 68,000 are girls in the potential child-bearing years of 10 to 19. Children under 5 number 57,700. All of these are at physiologically vulnerable stages of life.

Many District of Columbia families have been economically disadvantaged for generations, probably providing a chain of undernourished mothers bearing physically and even mentally handicapped babies.

Several current Federal commodity programs are helping to safeguard the physiological health of our economically disadvantaged. The supplemental food program reached 3,500 mothers, 2,700 infants, and 7,000 other children under 6 years with highly nutritious foods to enrich their often poor home diets, in January 1974. The food received was worth \$10.25 per month for the mother, \$8.50 for the infant, and \$12.50 for the other children, at District of Columbia retail prices of April 1973.

The Department of Human Resources is concerned with the impact rising food costs and the declining supply of commodity food stuffs will have on our ability to assure extra nutritious foods to those mothers and children in need. In providing a total program

of comprehensive health care, we recognize the important role food plays in growth and development, prevention of illness, and in the health of individuals throughout adult life. Therefore, we support with enthusiasm the efforts of this committee to extend the availability of food to this population.

Since 1969, the District of Columbia has provided a supplemental food program. In January 1974 alone, over 24,070 bags, or approximately 345,000 pounds of food, were distributed to needy families. Food bags, including a broad group of high protein, vitamins and mineral goods, are made available to the children under 6 years, pregnant mothers, and mothers up to 1 year post partum of medicaid-eligible families. In recent months, we have noticed greater participation in our program as food costs have increased.

During the last 3 years, there has been increased utilization of the Department's maternal and child health services, a decrease in mothers who do not receive adequate prenatal care, and a reportable decrease in both infant and maternal mortality. Although many factors are essential in changing any of these reportable statistics, nutritious food supplements, such as those provided by the supplemental food program, must be considered a positive influence.

Program staff have considered the implementation of the WIC special supplemental food program—as reported in the Federal Register, April 11, 1974—in the District of Columbia. The comparison of the WIC regulations and of our current supplemental food program by physicians, nutritionists, and planners has lead us to the conclusion that WIC offers several advantages. First, it assures the availability of iron-fortified formula for infants. Second, it eliminates the use of the means test for recipients that is required in the current supplemental food program.

The WIC program alone offers less to the District of Columbia than does the supplemental food program. For example, the WIC program, as spelled out in the Federal regulations, omits the meat, peanut butter, and vegetables given mothers and children in the current supplemental food program. Moreover, the WIC program excludes from participation two high risk groups; the 4- and five-year-old child and nonlactating mothers from 6 weeks to 1 year post partum.

Also, in January 1974, 50,235 children received free or reduced price school lunches and 14,500 received free cold breakfasts. Recently, 101 school cafeterias started hot breakfasts twice a week. Because of greater acceptability of the hot breakfasts, a rise in numbers is anticipated.

Federal commodities were in the meals served to 5,340 children in headstart, day care, and related programs. In the summer of 1973, 26,000 children on an average day received a school meal for 44 days. In addition, the diets of many other low-income people were improved nutritionally by the distribution of Federal commodities. Needy elderly and others received just plain food or meals

through meals-on-wheels, churches, settlement houses and other neighborhood and community centers, hospitals, and benevolent societies.

The numbers are not additive although they all relate to the early 1970's, because they are not for identical time periods and also because some individuals benefited from more than one program. However, the data indicate that thousands will be affected if the Federal commodity programs stop.

Stoppage of Federal commodity distribution will also have a direct impact on all institutions operated by the D.C. government. The Federal commodities received for them in the first half of fiscal year 1974 had an estimated value of \$68,153. If food prices stay at their present level, which is unlikely, the D.C. government would need to spend \$136,310 in fiscal year 1975 for their replacement for the Childrens' Center, D.C. General Hospital, D.C. Village, and Glenn Dale Hospital.

The presently spiraling food prices make it a diabolical act to stop food distribution to the needy. True, some would receive cash in place of food. But many would not benefit from a cash program because of lack of any program in which their need could be established.

For those on the rosters, the cash benefits would not be expected to meet the purchase cost of the food they are presently receiving because the government buys at lower food prices than the household consumer. As food prices continue to spiral, the purchasing power of the consumers' cash receipts would dwindle. This is a known fact from the lag in purchasing power of the food stamps in this period of rapid and frequent rises in food prices.

The Mayor's Commission on Food, Nutrition, and Health of the District of Columbia urges the passage of H.R. 14247 before June 30, 1975, and in time to maintain the present flow of commodity distribution to recipients.

In conclusion, we would hope that this committee would seek to enact an amendment to the Child Nutrition Act of 1966 which would assure a permanent program of supplementary diets for all women, infants, and children. This committee's efforts to provide food to the needy and to eliminate the hunger and malnutrition in our Nation will greatly assist health professionals to sustain a healthier and more productive society for the future.

An we have two attachments. One relates to some statistics on District of Columbia population and its participants in federally assisted commodity programs. The other is a surplus commodities provided by the U.S. Department of Agriculture to the District of Columbia Department of Human Resources.

Mr. FOLEY. Thank you very much.

Mr. THONE. Mr. Chairman, I would ask that those attachments be included in the record.

Mr. FOLEY. Without objection, so ordered.

[The material referred to follows:]

Some statistics on District of Columbia population and its participants in federally assisted commodity programs

Total population.....	753, 600
Females ¹	237, 700
Women, 20 to 49 years.....	169, 600
Teenagers, 15 to 19 years.....	35, 800
Preteenagers, 10 to 14 years.....	32, 300
Children under 5 ¹	57, 700
Recipients of supplemental foods ²	13, 200
Mothers.....	3, 500
Infants.....	2, 700
Other children under 6 years.....	7, 000
Children in programs receiving Federal commodities.....	5, 338
Head Start and related programs.....	3, 547
Day Care and related programs.....	1, 791
Children receiving school meals ²	64, 735
Free or reduced lunches.....	50, 235
Free breakfasts.....	14, 500
Children receiving summer school meals ³	26, 000

¹ 1971 estimate.

² January 1974 estimate.

³ Summer 1973 estimate.

**SURPLUS COMMODITIES PROVIDED BY THE U.S. DEPARTMENT OF AGRICULTURE TO THE DISTRICT OF COLUMBIA
DEPARTMENT OF HUMAN RESOURCES, FIRST HALF OF FISCAL YEAR 1974**

[Children's Center, D.C. General Hospital, D.C. Village, Glenn Dale Hospital]

Commodity	6 month quantity	Cost March 1974 open market or GSA	6 months total cash	Projected 1 year cost
All purpose flour.....	33,050 pounds.....	At \$0.1935 pound.....	\$6,395.18	\$12,790.36
Nonfat dry milk.....	1,350 pounds.....	At \$1.1435 pound.....	1,543.73	3,087.46
Rice.....	29,150 pounds.....	At \$0.52 pound.....	15,158.00	30,316.00
Salad oil.....	840 gallons.....	At \$4.9583 gallon.....	4,164.97	8,329.94
Butter.....	33,056 pounds.....	At \$0.9553 pound.....	31,578.40	63,156.80
Corn meal.....	4,950 pounds.....	At \$0.16 pound.....	792.00	1,584.00
Shortening.....	23,850 pounds.....	At \$0.32 pound.....	7,632.00	15,264.00
Peanut butter.....	1,650 pounds.....	At \$0.5387 pound.....	888.86	1,777.72
Totals.....			68,153.14	136,306.28

Mr. FOLEY. Mrs. Huff, do any of your associates care to make any additions?

Mrs. HUFF. We will remain for questions.

Mr. FOLEY. Are there any questions of Mrs. Huff?

Mr. BERGLAND. Mr. Chairman, I do not have a question, but I would like to compliment these ladies for presenting in a very direct and articulate fashion the story and the plight of persons living within the District. My wife is very active in our church out in Vir-

ginia, and has been involved in some programs related to persons who need help at D.C. Village; and you reinforce what she has been telling me for a long time, and I commend you for bringing this message.

Mrs. HUFF. Thank you very much.

Mr. FOLEY. Mrs. Huff, I was interested in your comments on the FIC program. May I gather from your statement that you would like to see the continuation of both the WIC and the supplemental feeding program?

Mrs. HUFF. Yes, that is correct. The District of Columbia has one of the largest programs, and is considered the best program—the supplemental food program—in the country; and we are in a unique position, because people have really used the program, and we show an increase each year.

Mr. FOLEY. Has the WIC program been implemented yet?

Mrs. THORNTON. In the District of Columbia, our stand has been one to service the people. We feel the supplemental food program, as has been pointed out, provides more nutrients to the recipient than would the WIC program. We have made two applications submitted to the Department of Agriculture for the iron-45 formula, which would be an addition to the current commodity that we have, and this was rejected.

Mr. FOLEY. Was this for the use of the supplemental feeding program?

Mrs. THORNTON. After testimony before Senator Humphrey, we had the impression that we could have a portion of the WIC program, but we found that this was not true. So, at the present time, we do not have any part of the WIC program.

Mr. BERGLAND. Mr. Chairman, may I inquire why was that request turned down?

Mrs. THORNTON. I would like that information, sir. I am sorry I do not know. I am really concerned this week, after reading that Prince George's County did receive a portion of the WIC program—I really do not know, but we are still investigating.

Mr. THONE. It was on that basis that you were turned down; that you applied only for a portion?

Mrs. THORNTON. That is correct.

Mr. FOLEY. Again, Mrs. Huff and ladies, we appreciate your appearance. You have been very patient. This has been, as our previous hearings, a very long day. We know you are busy, and have other obligations. We are grateful to have your statement as you have made an important addition to our hearing record.

Mrs. HUFF. I would like to thank you for allowing us to appear here today, and Mr. Hecht, who is with the Parent Committee, made the statement that he had lobbied for the school lunch program. I am a member of the D.C. Congress of the Parents and Teachers Association Executive Committee, and we are an affiliate of the national PTA who, for the record, were the originators of the whole idea of the school lunch program. I just wanted that entered into the record, so that the credit does not get lost in the wrong committee.

Mr. FOLEY. I think that the Parent-Teachers Association, Mr. Hecht, and many others, were very influential in bringing about the school feeding programs, an important part of our educational system, and the nutritional support of the children. We are very happy to have that addition to the record. Thank you.

Mr. THONE. I am a life member of the Nebraska PTA, and proud of it.

Mr. FOLEY. The final witness today will be Mr. Charles F. McDermott, Comptroller of the Oklahoma Department of Public Welfare, Oklahoma City, Okla.

STATEMENT OF CHARLES F. McDERMOTT, COMPTROLLER, OKLAHOMA DEPARTMENT OF PUBLIC WELFARE; REPRESENTING L. E. RADAR, DIRECTOR, OKLAHOMA DEPARTMENT OF PUBLIC WELFARE

Mr. McDermott. Thank you, Mr. Chairman.

I am here today representing Mr. L. E. Rader, director of the Department of Public Welfare for the State of Oklahoma. Mr. Rader asked that I apologize for his inability to appear in person, but his wife is recuperating from surgery and he was unable to leave Oklahoma City. He has asked that I express to this committee his concern about matters now being considered by the committee.

A particular concern is the administrative cost of the food stamp program. At the present time, the States are mandated to implement statewide food stamp programs no later than July 1, 1974. Unlike the commodity distribution program, the administrative requirements are mandated according to national levels, and special considerations of eligibility, that might otherwise be a State option, are required by those mandatory standards. It is essential that the States determine and verify certain factors of eligibility that are time-consuming and costly—to mention two—shelter cost and medical expenses of the household.

The present Federal financial participation is available only for certification worker cost and their travel expense. During fiscal year 1975, it is estimated that Oklahoma will have additional certification cost of \$1.2 million and \$1.2 million in issuance cost for a total of \$2.4 million that will not be subject to Federal participation if the present policy continues.

In recognition of the complexities of food stamp administration, Oklahoma agreed to help the Food and Nutrition Service develop a computerized system that could be transferred to other States. Oklahoma has been utilizing computers for administration of the public assistance programs and food stamp programs. We not only have one of the lowest incidents of errors in the public assistance programs in the country, but we have achieved good results in food stamp administration. Our current quality control sample of food stamp actions shows that of 74 QC reviews completed, only one case—1.3 percent—was found ineligible and 12 cases—16.2 percent—were found to have received more stamps than they should have received. The

overissuance can be further reduced with computer computations of the factors determining eligibility. We have achieved the results enumerated with a computer system that has been financed at State expense. To further extend that capability to food stamps is the goal of our project. Unfortunately, if a system is developed and proven to eliminate worker error and increase the efficiency of the food stamp eligibility certification and issuance processes, it will not be to the advantage of other States to adopt that system, since Federal participation is not now available for those costs. If the proposal to make Federal financial participation for all costs of food stamp administration is adopted, the cost of the system would be subject to Federal participation.

We would like to point out that good, efficient administration properly funded, can minimize errors in certification and issuance, and ultimately save the Federal Government more in program cost than the additional money spent for administration.

Another major concern for the Oklahoma Department of Public Welfare is the various proposals being considered for the school lunch and institutional programs. Our department is charged with the responsibility of distributing foods under sections 6, 32, and 416, and has found those foodstuffs to be very beneficial in the operation of our own institutions as well as providing good nutrition in the schools and institutions of our State. We have been told that various proposals have been suggested, and without analyzing each proposal, we would point out that as far as the school lunch program was concerned, our average donated food from all three sections averaged 9.34 cents for each meal served for the first 6 months of this fiscal year. This cost was computed from the price reported to us as being paid for commodities by the U.S. Department of Agriculture. If those same commodities had been purchased on the wholesale market in Oklahoma, it would have cost 13.23 cents per meal. We would suggest that the purchasing power of the Federal Government has been responsible for those cost differences. We also are confident that the quality of the food has been consistent as a result of Federal distribution and has insured that the food was available for the schools and institutions. We are attaching a list of the commodities distributed by the Department of Agriculture. We show the cost as reported to us by the Department of Agriculture and the corresponding wholesale price as determined by the survey of food wholesalers in Oklahoma as of May 7. We recognize that the market is increasing but purchases by agriculture can be made at the time the market is low, and avoid some of the fluctuations that would result at the local level.

We also have great concern for the expiration, on June 30, of temporary eligibility for food stamps by SSI beneficiaries. We respectfully request that the committee determine if the legislation under consideration could be used to resolve this problem.

I thank the committee for their consideration. I do have a list attached, but I will not read it.

Mr. FOLEY. Without objection, the attachment to Mr. McDermott's statement will be included in the record.

[The material referred to follows:]

FOOD OBTAINED UNDER SECTIONS 32 AND 416

Commodity	Total cost to Department of Agriculture, July 1, 1973- Dec. 31, 1973	Average whole- sale cost— Oklahoma, May 7, 1974
Dry beans.....	0.2445	0.7130
Canned green beans.....	.1731	.4850
Frozen beef.....	1.0165	.9283
Bulgar.....	.1203	.1502
Butter.....	.6465	1.10
Corn meal.....	.0781	.1345
Cranberry (canned).....	.1680	.2540
Farina.....	.1982	.2382
Flour.....	.1014	.1453
Fruit cocktail.....	.2034	.2457
Grapefruit juice.....	.1150	.1894
Lentils.....	.3752	.4502
Oleo margarine.....	.3326	.4158
Dry milk.....	.6022	1.06
Rolled oats.....	.0928	.2902
Frozen orange juice.....	.2899	.3793
Peanut butter.....	.3781	.4964
Canned pears.....	.2253	.2517
Split peas.....	.2683	.4850
Purple plums (canned).....	.1857	.2228
Rice.....	.2484	.4425
Salad oil.....	.3041	.4740
Shortening.....	.3006	.4123
Canned tomatoes.....	.1786	.2162
Frozen turkey.....	.7050	.6319

FOOD PURCHASED UNDER SECTION 6

Commodity	Total cost to Department of Agriculture, July 1, 1973 to Dec 31, 1973	Average wholesale cost— Oklahoma, May 7, 1974
Canned poultry.....	1.03	1.41
Frozen beef.....	.9590	.9283
Frozen chicken (cut).....	.4634	.51
Frozen frankfurters.....	.8893	.83
Frozen orange juice.....	.2899	.3793
Frozen pork.....	.8435	.97
Canned peaches.....	.2052	.2440
Canned pineapple.....	.1725	.2258
French fried potatoes.....	.1929	.2332
Sweet potatoes.....	.5210	.5225
Frozen turkey.....	.7050	.6319

Mr. FOLEY. We appreciate your statement, Mr. McDermott, on behalf of Mr. Rader, and we understand his personal circumstances in not being able to appear today.

Are there any questions of Mr. McDermott?

Mr. BERGLAND. Mr. Chairman, I have one, if I may.

On the last page, Mr. McDermott, you state your great concern with the expiration of June 30, temporary eligibility for food stamps by SSI beneficiaries. How is this going to happen? What will that effect be?

Mr. McDERMOTT. There were three separate attempts by Congress to pinpoint the eligibility of SSI beneficiaries for food stamps, after the implementation of the supplemental security program. The first, of course, was Public Law 92-603.

Mr. BERGLAND. The so-called cash-out issue?

Mr. McDERMOTT. Yes. The subsequent attempts only resulted in the present law being enacted to extend food stamp eligibility until June 30, unless the state was, in effect, cashing out. That authority does expire on June 30, and the law will revert to where all SSI beneficiaries who are receiving more now than they were previously receiving under the State program and the bonus value of food stamps, would become ineligible. That would disqualify a number of persons in Oklahoma. It probably, with the July 1 influx, be as many as 75 percent of the SSI beneficiaries. We did not, in effect, cash out the stamps by federally-supported bonus or federally-supported payment, but we do have a split situation.

Mr. FOLEY. What was the level of assistance prior to the SSI?

Mr. McDERMOTT. In June of 1973, our one-person case was receiving \$134 a month. If they were paying rent or a mortgage, a two-person case was receiving \$212. On the other side, if they were living in shared shelter or similar arrangement, they were getting \$108 single person, and \$195 for two.

In effect, what has happened by adding some of these things to it now, unless they had disregarded income and other things, it disqualifies those persons who did not have a shelter case, but those with a shelter cost can conceivably remain eligible.

Mr. FOLEY. You were talking about levels under SSI?

Mr. McDERMOTT. Yes.

Mr. FOLEY. What were the levels prior to the supplemental security income?

Mr. McDERMOTT. Those levels were \$134 and \$108 for a single individual, and \$195 and \$212.

Mr. FOLEY. What will they be now?

Mr. McDERMOTT. Including the State supplementary, we have recognized the increases in cost of living as a result of certain things. The SSI payment would be \$140 for a single individual; our State supplement would be \$20. That is not required by Federal law. This is simply a State determination. For a two-person case, it would be \$210 from SSI, and if only one was eligible, and \$20 from the State; if both were eligible, \$40 from the state. So it would be as high as \$250.

Mr. FOLEY. Oklahoma is one of the States which was very close in terms of the adjustment between the two programs. A number of States experienced a substantial improvement in the benefit levels to recipients when the transfer was made; Oklahoma was one.

Mr. McDERMOTT. We were right at the national level, yes, sir.

Mr. FOLEY. Thank you very much, Mr. McDermott. We appreciate your appearance.

If there are no further questions, the Chair wants to thank all the Witnesses for their patience, and their contribution to these hearings. This concludes the hearings on the special Ad Hoc Subcommittee on the Extension of the Commodity Food Distribution Authority. The subcommittee will meet at the call of the Chair. We appreciate the members who have been here.

Mr. THONE. I have a letter in my office, with several attachments, from Mr. Lawrence Graham, who is the head of our program in Nebraska. I would ask leave that this material be included.

Mr. FOLEY. Without objection, so ordered.

[Mr. Graham's letter may be found on p. 169.]

The subcommittee will stand adjourned.

[Whereupon, at 4:15 p.m., the subcommittee adjourned, subject to the call of the Chair.]

[The following statements, letters, and additional material were submitted to the subcommittee:]

PREPARED STATEMENT OF HON. TOM BEVILL, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF ALABAMA

Mr. Chairman, I come before this subcommittee today to voice my support for H.R. 13647—a bill that I have co-sponsored with 23 other members of the House. This proposal would ensure that the USDA continues to donate food commodities to aid schoolchildren, children in summer camps, children in day-care programs and summer feeding projects, needy persons in counties that are in the midst of switching over to the Food Stamp Program, needy persons in charitable institutions, disaster victims, Indians on reservations, the elderly poor who participate in the Older Americans Act nutrition programs, and those pregnant and new mothers and their children who receive aid from the USDA's supplemental feeding program. It would accomplish this by *requiring* the USDA to maintain its fiscal 1973 level of donated commodity assistance and would give the Secretary of Agriculture the authority to buy food commodities for distribution even if they are not in surplus or do not need price support. In effect, the USDA would have to continue its commodity distribution operations and would have sufficient authority to purchase any foods necessary to meet the needs of those groups it has traditionally aided.

The millions of children and needy persons in the long list of those who have, for years, received commodities need prompt Congressional action if they are to be assured of continued assistance. They should not be suddenly deprived of the aid they so desperately need. In addition, the farmers of this country need to be assured that the Federal government's mechanisms for acquiring and distributing surplus and price-support food commodities will remain intact in order to deal with any future agricultural surpluses or price problems.

Mr. Chairman, as you and your colleagues on the Agriculture Committee well know, the Federal government has been donating food commodities to aid children and those in need since 1932. Long before school lunches, school breakfasts, and food stamps, this country decided that the food commodities acquired by the USDA through surplus procurement and price-support operations could best be used by donating them for use in school lunchrooms and as aid to needy persons. In fact, every one of our current food assistance programs has its origin in the commodity distribution programs so ably supported by this committee.

Over the years, the USDA commodity distribution programs have supplied billions of dollars worth of food to assist some of the most needy in the country and they have provided a much-needed outlet for commodities acquired through our agricultural support programs. Last fiscal year alone, the commodity distribution programs supplied over \$500 million worth of food to schools, needy persons, disaster victims, and others. The school children and needy of my own State of Alabama benefited from over \$23 million in commodity assistance. This fiscal year, a similar amount of commodity assistance will be available to schools and other outlets.

However, starting next fiscal year, the USDA is proposing to "phase out" all of the commodity distribution programs. Beginning with the commodity program for needy families and individuals (which Congress authorized to be replaced by the Food Stamp Program), the USDA has proposed to terminate the flow of donated commodities by the end of fiscal 1975. This termination of commodity assistance will have a severe impact on the many different groups that have traditionally depended on donated commodities. In addition, it will impair the country's ability to cope with any agricultural surpluses or price problems that develop in the future. To make matters worse, the USDA has replacement assistance at hand for only two of the long list of commodity distribution programs—food stamps to replace commodities to needy families and individuals and unrealistically low cash assistance to replace commodities for schools.

At present, no sufficient rationale to support the termination of all the commodity distribution programs has been offered (other than the fact that *currently* surplus agricultural products seem to be in short supply), and, in many cases, no realistic replacement assistance has been promised. I would submit that Congress must act to halt the termination of the commodity distribution programs. My bill—H.R. 13647—would do just that.

Mr. Chairman, in conclusion I would like to highlight the impact that the proposed termination of the USDA's commodity distribution programs would have on just 2 of the many groups that depend on donated commodities.

Schools throughout the country have for years been receiving about \$300 million per year in donated commodities. Schools in my own State of Alabama received about \$5 million worth of food last year and expect to receive about the same amount again this year. Over the years, they have come to rely on the expertise of the USDA in purchasing high-quality food and making it available on a timely basis for use in preparing school meals. In fact, over 25 years of commodity assistance has led to the creation of efficient methods for the centralized preparation of these commodities in my own State and others. Essentially, USDA donated commodities have meant that schools can prepare meals at a cost much lower than if they had to go out and purchase those same commodities themselves.

The USDA proposal would terminate this commodity assistance and replace it with 7¢-8¢ per meal in *cash* assistance. This 7¢-8¢ per meal is approximately the cost to *the USDA* of the commodity assistance currently supplied plus a small add-on for administrative costs. One problem is that, although 7¢-8¢ per meal is about what it cost *the USDA* to provide commodities to schools, the cost to States and schools, if they were to purchase the same commodities, would be much greater. It has been estimated that the real *value* of Federally donated commodities to schools is about 25%-35% higher than the 7¢-8¢ per meal proposed by the USDA. This would mean that, in Alabama, the State and local school districts would have to come up with well over \$1 million per year just to make up for present USDA assistance. However, even more important is the impact that the loss of donated commodities would have on States and school districts in terms of the loss of the USDA's expertise and ability to insure high quality in the food being purchased. States and school districts (especially the smaller ones) just do not have the capability to replace the USDA's ability to purchase low-cost, high-quality foods.

Disaster victims have long depended on the warehousing system used for the commodity distribution programs for emergency assistance. Right now, the commodity distribution system is the only reliable method of helping these people if a disaster closes down grocery stores and the like and they cannot use food stamps. In terminating all of the commodity distribution programs, these warehouses would be closed up and the Federal government's ability to respond to disasters would be severely cut back. Where will disaster victims get food assistance in the case of a flood, hurricane, or tornado? They can't eat food stamps if the stores are closed by a disaster.

The House and Senate have already acted on a disaster relief bill—now in conference. This bill (S. 3062) requires that the Federal government maintain adequate stocks of commodities for disaster relief. My bill would complement the Disaster Relief Act Amendments of 1974 by giving the USDA the authority needed to buy the necessary commodities for disaster relief and by ensuring that the current system of commodity distribution warehouses remains intact.

Mr. Chairman, these examples emphasize the need for immediate Congressional action to save the commodity distribution programs for children and needy persons. A traditional and uniquely American system of aiding the needy and supporting agricultural markets is proposed for elimination, within a year. The Congress must step in and ensure that those who have traditionally benefited from our agricultural surpluses do not suffer.

PREPARED STATEMENT OF HON. LAWRENCE COUGHLIN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, I am pleased that your Committee has scheduled hearings on proposals to extend authority for the Agriculture Department's com-

modity distribution program. I am a sponsor of H.R. 13647 which would amend the Agriculture and Consumer Protection Act of 1973 to permit the Secretary of Agriculture to continue to purchase agricultural commodities in order to maintain assistance for various food distribution programs at their 1973 levels.

Some of these programs, perhaps those most familiar to the general public such as the school lunch program, the day care food program, and the elderly nutrition program, were specifically created under the National School Lunch Act, the Child Nutrition Act, and the Older Americans Act respectively. I am pleased that the House acted this week to pass H.R. 14354 extending the Secretary's authority to purchase commodities at market price for distribution in these programs.

However, many other recipients who depend heavily on the Government donated commodities will not be affected by this extension. These include commodity distribution programs for domestic disaster relief, to institutions such as nursing homes and prisons, and to needy individuals. This assistance reaches millions of Americans every year, providing an adequate diet for many who would not enjoy one otherwise.

I do not feel we can simply tell the people who have been receiving this form of assistance that they will no longer be able to get it. By and large, recipients of donated commodities are poor and needy, and they would have no place to go to fill the gap which will be left if this authority is allowed to expire. The costs of meals to institutions and to individuals served by them would increase precipitously with the result that many would no longer receive the improved diet which the commodity distribution program has made possible. And these are individuals for whom an adequate diet is especially important or is likely to be lacking—the young, the elderly, the sick, or those left homeless through natural disaster.

I urge the Committee to approve legislation to ensure that the commodity purchase and distribution program will not be terminated or curtailed.

PREPARED STATEMENT OF HON. E DE LA GARZA, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF TEXAS

Mr. Chairman, my District, the 15th District of Texas, has a vital double interest in the program under which commodities are purchased for distribution to schools and other institutions.

The interest of the people of my area is that of both producer and consumer.

The proposed "phase-down" of buying surplus foods would end federal control of the National School Lunch Program, started in 1946, which uses more than seventy-five percent of the commodities purchased.

The idea that schools could better use cash, buying what they want when they want it, has serious flaws. The mass purchasing power of the USDA makes it possible to buy higher quality produce at a cheaper price, usually at a time when prices hit a low point. Significantly, the American School Food Service Organization, which represents most if not all of the people operating the school lunch program, prefers commodities over cash.

In addition, when items such as grapefruit juice or orange juice are provided, the program makes available to children throughout the nation healthful foods they would not otherwise have. The program has opened up a wide variety of new market potentials for many food producers.

A voucher system cannot have the same desirable effect of assisting producers of surplus products as a direct purchase. For example, the Department's recent purchase of ground beef from choice cattle would be next to impossible under a voucher system. There would be no way of insuring that fat cattle would be used for ground beef. Also, a voucher could not be designed that would assure the purchase of a given food in the area where it is in surplus supply.

The assumption that farm producers of the United States are no longer threatened with surpluses is not valid across the board. Evidence of some current surpluses is provided by low citrus prices, disastrous cattle and pork prices, and poor turkey prices. Furthermore, with acreage controls off, dislocations in production could cause serious consequences to some individual producers.

It seems clear that if the Department of Agriculture retires from the commodity business, surpluses will go begging. There will be no way to buy or distribute them. That is not a comforting thought to those who recall the catastrophic farm commodity surpluses of past years.

PREPARED STATEMENT OF HON. JOSEPH J. MARAZITI, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW JERSEY

Mr. Chairman, I would like to indicate my strong support for the extension of the commodity food program beyond June 30, 1974 as provided for in H.R. 13646.

I have co-sponsored this legislation extending Section 4 (c) of Public Law 93-86 giving authority to the Secretary of Agriculture to purchase agricultural food commodities under Section 32 (dealing with food surpluses and price supports) without regard to provisions of existing law because state schools and institutions benefit tremendously from this Federal assistance.

In my own state of New Jersey if Section 4 (c) were to expire, 1,800 public and non-public schools, 60,000 participating individuals in institutions and agencies, and thousands of summer camps for scouts and underprivileged children as well as natural disaster victims and elderly would be adversely affected. New Jersey would lose about \$6 million during fiscal 1975.

Twenty one cities in the State provide a nutritious meals programs for the elderly one day a week in which commodity foods are used. For all practical purposes, most if not all of these elderly served by those programs count that single meal as their sole source of sustenance, since they can ill afford to purchase food at today's prices. Assistance to the Older Americans Act for these meals programs is currently being funded at a level of \$3 million in New Jersey.

Although the school lunch program would continue to receive food support of approximately \$1 million, support to all other recipient public and private agencies in New Jersey would be discontinued by July 1, 1974.

Commodity foods centrally purchased through volume buying by the Agriculture Department and disbursed to the states is the best, and cheapest way to serve the most people at the lowest possible cost.

Those advocating cash assistance are really saying they want to discontinue Federal food aid to state institutions and summer camps because there is no cash flow available from the food commodity program for these state organs.

The reason that the State of New Jersey would rather receive federal foods rather than cash because Federal tax dollars can be stretched farther to serve more people. Centralized purchasing through U.S.D.A. saves millions of dollars to states, local schools districts and local taxpayers because small school districts through individual purchasing systems pay for higher prices for smaller quantities of food.

When you consider that food prices are averaging 12 percent above last year's prices, cash assistance at the same level of support as last year's level is really a reduction of purchasing power. Inflation is continuing to make more people poor and in need of assistance. This is not the time to "shrink" the program by offering only cash assistance.

Further, if the food commodity program were ended at this time and there was a cash flow to schools in lieu of commodities, there is the distinct possibility that the cash flow of 7 cents per meal could disappear when there is no base such as the food commodity base.

In recent years many states have developed the expertise to process federal food commodities into other end products. By processing such items as nutritious durum wheat into spaghetti, flour, shortening and dry milk into bread and bread products and bulk soya bean oil into mayonnaise, additional monetary savings have been made to the programs in states.

New Jersey has saved \$1.8 million alone through processing commodity foods into other end products even though the costs of processing are passed on to the recipient agencies. Agencies have to pay more for these products from wholesale sources than they have to pay in processing costs for converting the commodity into other needed products.

Mr. Chairman, when we are speaking about extending the commodity food program, we are talking about Federal nutrition for millions of deserving

children and individuals who cannot afford to obtain nutritious meals outside of the programs they are participating in.

Upon the shoulders of our youth rest the future of our country. Our elderly have worked and paid taxes a lifetime. They have not become poor because of a lack of planning, or a lack of savings. Most of the elderly participating in meals programs have been made poor by inflation, which eats into their fixed incomes until they can no longer afford to eat, much less pay their rents.

For the benefit of the deserving millions of underprivileged individuals utilizing this program, I urge the extension of the commodity food program as provided for in Section 4 (c) of Public Law 93-86.

STATEMENT OF HON. EDWARD MEZVINSKY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF IOWA

Mr. Chairman, there are many school districts in the United States where participation in the school lunch program is decreasing. Iowa offers an exception to this trend. The number of children buying these nutritious hot lunches has actually been increasing in the last few years. I am concerned that if Sec. 4(a) of P.L. 93-86 is allowed to expire on June 30th of this year, Iowa too will begin losing children in this program. Congress must continue to maintain USDA's authority to buy non-surplus commodities or else strike a real blow at not only the school lunch program, but also disaster relief efforts and assistance programs to certain charitable institutions, including some homes for the elderly.

If we want a strong school lunch program—as we all must if we believe that well nourished children with lively minds and bodies are our greatest national resource—then we must make the program as attractive as possible. And there is only one way to do this: offer good food at a cost low enough to make it affordable and attractive.

Iowa has been able to do just this. Iowa school children receive well-prepared school lunches at roughly five cents less than students pay in most other areas of the country. For thirty cents, elementary students in the First District of Iowa receive the kind of good food nutritionists and educators believe is necessary to keep children alert and able to learn at their full capacity.

The reason prices can be kept down in Iowa is attributed, by the many school lunch administrators who have written me, to the availability of high quality food through the commodity program.

USDA now furnishes government commodities to schools at the rate of 7 cents for each school lunch served or 7 cents cash as an alternative. As you know, USDA wants to move entirely to a cash payment of the 7 cents per school lunch. Some urban school districts choose to receive 7 cents cash rather than 7 cents worth of USDA bought commodities and pay caterers to prepare pre-packaged foods for their children. In Iowa, however, school superintendents have overwhelmingly preferred to receive their 7 cents payment in commodities. They have kept school lunch costs low because of this.

The cost of a lunch is very important for encouraging student participation. As studies made by both USDA and the Senate Select Committee on nutrition seem to confirm: for every penny increase in price of a school lunch there will be a 1% decrease in student participation.

During the inflation of the last year, when the price of school lunches in many areas of the country went up in price a minimum of 5 cents, we lost 500,000 children nationally from the program. A million and a half children have dropped out in the last three years. What is going to happen to school lunch programs if prices rise another 5 to 10 cents?

If Congress does not act to insure that USDA continues its commodity buying program for school lunches, it will have to take the responsibility for the possible loss of 5 to 10% of the children now in the program.

There is no doubt in the minds of the superintendents of schools in the First District of Iowa that the cost of lunches will have to rise 5 or 10 cents if USDA switches to a cash only payment. They estimate that the USDA can buy at least twice as much for seven cents as individual school districts because of USDA's centralized buying in huge quantities.

For example, the school lunch director in one First District city estimates that receiving commodities rather than cash support saves its schools about

six cents for each serving of frankfurters and twelve cents a serving for ground beef. In some instances the cost of ground beef would have been prohibitively high if purchased with cash by the school district and thus would have eliminated the most important and universally liked protein source.

USDA buys from one central location; it has expertise in writing detailed specifications and taking bids; and the result is obtaining low-cost food of excellent and consistent quality. USDA commodity buying for this program is an example of the purchasing power and resultant economic savings that local school districts cannot possibly be expected to match.

There is one last point I would like to emphasize. Even though USDA commodities are a cornerstone of school lunch programs in states like Iowa, these commodities are not worth as much this year as they were a year ago. Government commodities available for the school lunch program have been at the 7 cents level for many years. I hope that this subcommittee will examine whether that 7 cents level is adequate in this period of spiraling inflation. It is my belief that a meaningful support of the school lunch program means that not only must commodities be available rather than cash, but also that the level of commodity support should be increased.

PREPARED STATEMENT OF HON. EDWARD J. PATTEN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW JERSEY

Mr. Chairman and members of the Ad Hoc Subcommittee on legislation of the House Agriculture Committee, I strongly urge the approval of legislation which would extend the Food Commodity Distribution Program.

Several months ago, I was shocked—and outraged—to discover that the Nixon Administration favors the termination of the present program effective June 30th, 1974. This is one of the most useful and beneficial programs sponsored by the Federal government, so I believe it is imperative to extend the present system.

Under this program, schools in Middlesex County, New Jersey, received \$825,622 in various food items in the past year or so, with institutions allocated supplies worth over \$100,000, and senior citizens and boy scouts also benefiting. To say that the commodity distribution program is a real bargain to local school districts and others, would be a great understatement; for in effect, recipients obtain a "discount" of 94%, because all they pay is 6% for administrative and warehouse costs. As an example, if \$1000 worth of food is delivered to a school, it only costs the school \$60.

The Administration points out that it would replace the present program with cash payments, but that would not be the solution. School districts would not be in a position to do volume buying, therefore the food would cost more.

Mr. Chairman, just to give you an idea of how much of a disadvantage it would be under the proposed new method, John F. Soboslay, director of government liaison for the public schools of Pittsburgh, Pennsylvania, wrote to me that if commodities were purchased by his school district, they would cost \$300,000 more in a year. Other districts would also suffer higher costs.

The present system should be continued, because it helps many thousands of students, persons in institutions, senior citizens, and scouts. It is also supported by the Administration of Governor Brendan T. Byrne, of New Jersey, and many members of the New Jersey legislature. I am not supporting this legislation simply because I have co-sponsored this legislation. I am backing it because it is a program that has proven its worth and value. Rep. John Melcher of Montana and Rep. Robert Roe of New Jersey, deserve special praise for the strong and effective leadership they have shown in this important fight. They have earned the gratitude of thousands.

Another outstanding leader in this battle should be commended. On Thursday, March 28, 1974, an impressive and eloquent statement in support of this present program was made before a Senate subcommittee by Col. (Ret.) Ellsworth C. Reiss, coordinator of the New Jersey Commodity Program, and president of the Northeast Area Food Distribution Association.

In his very effective statement before the Senate subcommittee for Agriculture Research and General Legislation, Col. Reiss cited the great need that exists for extending this constructive and valuable program. It is a convincing docu-

ment that commands respect, and calls for swift and responsible action. Col. Reiss shall be appearing before your membership during the hearings.

Mr. Chairman, this legislation should be passed soon. Public support for it is growing and time is growing dangerously short.

PREPARED STATEMENT OF HON. CLAUDE PEPPER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF FLORIDA

Mr. Chairman and members of the ad-hoc subcommittee on commodity distribution legislation, my purpose in presenting testimony before this subcommittee is to voice my strong belief that the Federal commodity distribution programs must be continued. To this end, I have co-sponsored H.R. 13647—a bill to require that the Federal government continue donating food commodities to schools and the poor and grant the USDA “special purchasing authority” so that it can pay the going “market” prices for the necessary foods.

Since the 1930's, it has been Federal policy to donate food commodities acquired by the USDA through its “surplus removal” and price-support” operations to schools, the needy in charitable institutions, the poor lacking funds to purchase an adequate diet, disaster victims, and many other groups. Though these commodities have not been the *only* source of Federal aid, they have formed the consistent “foundation” of Federal food assistance. They have generally been independent of the vagaries of annual appropriations, and the commodity distribution system has filled the dual role of providing an outlet for our agricultural surpluses and helping maintain adequate levels of nutrition in our country.

Today, Federal commodity assistance is a vital component of our efforts to aid the poor, especially the elderly poor, schoolchildren, children in summer camps, children in day-care programs, children receiving free summer meals, disaster victims, needy persons in charitable institutions, and mothers and children receiving supplemental foods. This fiscal year alone, about \$580 million worth of commodities have been donated.

Mr. Chairman, the problem now seems to be that, without Congressional action to require the continuance of the commodity distribution programs and grant “special purchasing authority” to the USDA, the Administration's plan to terminate commodity assistance to all these groups will go into effect within a year. Faced with the current and not necessarily permanent shortages of surplus commodities, it has been decided to simply eliminate the Federal government's commodity purchasing capability and, consequently, to terminate the USDA's traditional commodity assistance to schoolchildren and the needy. Although some increased cash assistance has been proposed, it will be very limited and some commodity recipients will be left without any replacement aid. H.R. 13647 would call a halt to the proposed cut-off of commodity aid for schoolchildren and the needy. It would assure those who have traditionally relied on Federally donated foods that they will not be deprived of desperately needed help without any replacement assistance.

Last year, the Congress wisely gave the USDA “special purchasing authority” until the end of June 1974—foreseeing possible shortages of “surplus” commodities and, thus, the need to allow the USDA to buy food commodities at “market” prices. It is now incumbent upon us to extend that authority so that the needy of this country and our children can continue to receive the donated foods that have customarily been supplied by the Federal government. H.R. 13647 would do just that.

To illustrate the impact of a termination of commodity aid, I would like to put before this subcommittee the plight of schools, and of nutrition projects for the elderly poor under title VII of the Older Americans Act—if the USDA pulls out of commodity distribution.

Schools in this country have, for many years, received about \$300 million per year in Federally donated commodities. My own State of Florida has received nearly \$10 million in commodities for its schools in each of the past two fiscal years. The proposal to “phase out” commodities for schools over the next year would mean: (a) that Florida schools, for example, would receive, in cash, the \$10 million or so that it cost the USDA to buy commodities in the past; (b) that they would have to come up with, probably, over \$1 million of *their own*

in order to buy, store, process, and transport the same types of commodities that the USDA has been supplying; and (c) that they would be hard-pressed to be able to buy the same quantity and quality of food previously donated by the USDA. In other words, a termination of commodity assistance to schools and replacement of this aid with cash equal only to what *the USDA* spent to acquire these commodities, would simply be replacing the efficient USDA food purchasing system with a *more costly* State and local system.

With the creation of the Older Americans Act title VII Nutrition Program, the Congress authorized the use of Federally donated commodities as a supplement to cash aid. My authorship of this program has led me to follow its progress closely and I am happy to be able to report that, with the aid of USDA commodities, there will soon be well over 600 projects in operation around the country serving over 200,000 meals daily. These projects serving meals to the elderly poor are faced with constantly rising costs and the availability of commodities from the Federal government has been one important way in which we have been able to ensure that they can serve the maximum number of people on a proposed Federal *cash* appropriation of about \$100 million for fiscal 1975. Without the availability of USDA commodities, many of the elderly nutrition projects will have to cut back on the number of meals served because of added food costs.

These two examples make the need for Congressional action to continue the commodity distribution programs obvious. Federal commodity assistance is proposed for elimination without adequate replacement assistance. In some cases, there will be *no* replacement assistance. The hardships worked upon those who have depended on donated commodities cannot be overlooked.

PREPARED STATEMENT OF S. MASON CARBAUGH, COMMISSIONER, VIRGINIA
DEPARTMENT OF AGRICULTURE AND COMMERCE

Section 4(a) of the 1973 Agriculture and Consumer Protection Act (Public Law 93-86) gave the Secretary of Agriculture permission to purchase commodities at market prices to maintain the annually programmed level of assistance for schools and other domestic food assistance programs until July 1, 1974.

We request an extension of Section 4(a) of Public Law 93-86 for the following reasons:

1. Without the special purchase authority of Section 4(a), USDA would very likely be unable to purchase vast quantities of the foods which constitute the majority of the food assistance made available to schools, institutions, and summer camps for children. This could result in the present federal and state distribution systems being dismantled and therefore unavailable to deal with future surpluses. A voucher system has been suggested to deal with any future surpluses. We are concerned whether such a system could have flexibility sufficient for recipient agencies to take advantage of surplus foods and still remove the target surplus commodity from the market quickly enough to have a positive effect upon farm prices.

2. Only schools participating in the National School Lunch or National School Breakfast Programs will receive cash assistance as provided under Public Law 93-150 to compensate for the discontinued receipt of donated commodities. Institutions and summer camps for children would receive no assistance.

3. Even though schools may receive cash assistance in lieu of commodities under Public Law 93-150, they cannot buy the same quantity and quality of food per dollar as can USDA with their mass purchase power, expertise in purchasing, and knowledge of crop conditions and prospects. In many school systems each cafeteria still purchases all foods utilized except for the USDA donated commodities they receive.

4. Under Public Law 93-150, schools would receive no payments before March of each year with which to purchase foods. This would also place additional financial burden on the localities.

5. The Federal reserve of food for disaster relief assistance would be lost if donated foods are not available.

In summary, we request that Section 4(a) of Public Law 93-86 be extended to enable the United States Department of Agriculture to maintain historical levels of assistance to schools, institutions, and summer camps for children and that the effective systems of distribution of these foods nationwide not be abandoned.

PREPARED STATEMENT OF JAMES E. MACK, PEANUT BUTTER MANUFACTURERS AND
NUT SALTERS ASSOCIATION

Mr. Chairman, my name is James E. Mack. I am General Counsel of the Peanut Butter Manufacturers and Nut Salters Association, which is as the name implies the national trade association of peanut butter manufacturers, nut salters and suppliers to the industry. This appearance is entered in support of H.R. 12168 and comparable bills.

For many years peanut butter has been an integral part of the School Lunch Program nationwide of the U.S. Department of Agriculture. We believe it is in the interest of the school children and the nation to have this federal government distribution of peanut butter made through the School Lunch Program. Children like peanut butter. While food authorities might have different opinions about various foods, they seem to be all in agreement that peanut butter is one of the finest foods with a high protein value. Peanut butter is a food which children like, which nutritional authorities agree they should eat. There are not many foods which so qualify, which is indicated by the fact that the USDA Food and Nutrition Service specifies it as a meat alternate for a Type A school lunch meal.

We recognize that the Department of Agriculture would like to get out of the commodity distribution business, and we respect their business philosophy. In this instance, however, we think it is in the interest of the nation to keep school children eating the excellent protein food of peanut butter which they like so well.

It is recognized that the Department favors continued operation of federal government school lunch financial support but would do so by means of cash payments in lieu of the direct providing of food supplies. In this connection, if the cash payment system is resorted to, it is pointed out that the schools could buy peanut butter and such other foods as they desire and that undoubtedly there would be significant quantity purchase of peanut butter. The reason for our favoring the direct distribution of peanut butter rather than having school authorities purchase it on the open market is an obvious one. Even assuming school authorities should expend an amount in dollars equivalent to the amount the Department of Agriculture spends to purchase peanut butter, the quantity obtained for child consumption would be much less.

Under the current program the Government invites competitive bids. The peanut butter then is processed, packed and shipped in accordance with Department of Agriculture specifications; and the Government and the school children get a lot of peanut butter for the money. Peanut butter distributed through the schools when acquired in this manner involves larger containers, quantity shipments and reflects primarily the cost of the peanuts, of processing, packing and shipping. The children simply would get much less peanut butter if it were purchased directly by state or local authorities than if acquired by the current central purchase program of the federal government.

PREPARED STATEMENT OF PETER H. PETERSEN, WASHINGTON REPRESENTATIVE,
NATIONAL ASSOCIATION OF MEAT PURVEYORS

Mr. Chairman and Members of the Committee

We appreciate the opportunity to make you aware of our position relating to H.R. 13168—and particularly to the proposed amendment which would authorize the Department to purchase agricultural commodities to maintain "the annually programmed level of assistance—for domestic food assistance programs until June 30, 1976."

Our Association, the National Association of Meat Purveyors, consisting of 400 members, all fully inspected either by Federal or State authorities, and we are national in the scope.

We are the suppliers of meat, poultry and other miscellaneous food items to the "eating out public", of which the School Lunch Program is a vital part.

We have for years been pitted competitively against the Government Purchase Programs. Such commodity purchases are made only from a few large companies, as the furnishing of car load lots of meat items are beyond the capacity of the meat purveyor.

At this time, I call to your attention that he, the smaller operator is also a tax payer, and this amendment would put him in the position of again paying his taxes to compete with himself—surely not a healthy situation.

So naturally, we feel there can be no rationale for such a situation.

The original need for purchases by the Government, no longer exists, since it was intended from the beginning to only be used in the need of a very depressed market, full of surpluses or any surplus that could not be moved through normal channels without great penalties to the farmer. We repeat this no longer exists.

Let us see what could be the result of putting the purchases of these materials back into the community where it is used and where the community merchant and payer of local taxes, including the school taxes as well could be supplying the material.

1. The saving at the Federal Level would be tremendous, as a result of reduction in help, estimated to be about 500 employees and with other concurrent expenses an amount of about \$10,000,000 annually.

2. The savings at the local level would also be tremendous, i.e., product would not have to be stored in freezers or warehouses, causing additional costs on top of purchase price such as storage charges, cost of record keeping, delivery and other miscellaneous items.

Just a word about large purchases.

It is a well known fact that under today's condition quantity (large) does not always determine lower costs.

Quite frequently large Government purchases cause competition for product—resulting in higher costs—and causing shortages and high cost to industry.

3. On top of all these increased expenses, the Government would be, as in the past, imposing "provided foods", with limited menu possibilities.

4. The monies thus spent, given to the states as cash, would produce other savings and benefits at the local level in providing freshly produced foods at all times—and much more variety. It would also permit responding to ethnic or individual needs, which certainly cannot be done in Washington.

5. There would be greater dependability and assurance of service and as indicated above, fresher material as opposed to product which has been in the freezer for months—and which I again repeat has on top of its original cost, delivery to the freezer, which might be many miles from some of the schools, plus those freezer charges, record keeping and delivery cost.

In addition to all this the local Federally or State inspected members of our Association now makes delivery to the school systems of the shorts and miscellaneous items, rendering a special service Washington or Government cannot supply. This is done at a delivery cost to our members which is relatively high, but if he were to have the whole of that business because it is rightfully his, the delivery cost would be reduced.

By having the funds to purchase locally, the schools would find greater opportunities on a weekly or monthly bid basis to select those items that are seasonally plentiful and at bargain prices.

Gentlemen, what we have been trying to indicate in all of the above, is that funds given to the state for direct purchases would result in many savings at all levels, selections and varieties of food would be greater, dependability of service and assurance of compliance to quality would be established. Further returning the business to the community area served by the community purveyor would be a great step forward, and one that you can be justly proud of.

We appreciate this opportunity of presenting our comments and opinions and respectfully request that this amendment re the maintenance of "the annually programmed level of assistance—for domestic food assistance programs until June 30, 1976" be omitted from the Bill.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 1, 1974.

Hon. THOMAS S. FOLEY,
Chairman,
Subcommittee on Food Distribution-Procurement,
Agriculture Committee

DEAR MR. CHAIRMAN: For the record I would submit these two enclosures, one a reprint from The Daily Oklahoman in which a highly respected reporter,

Jeff Hollady, summarizes what distribution of food to Oklahoma Institutions means, and the second, a reprint from the April 15 U.S. News and World Report.

The articles say more combined in support of a continuation of the program than I could say in an hour and a half.

Sincerely,

CLEM MCSPADDEN, M.C.,
Oklahoma 2d District.

[From the Sunday Oklahoman, Apr. 14, 1974]

COMMODITY FOOD PROGRAM PHASEOUT COULD HURT PUBLIC INSTITUTIONS

(By Jeff Holladay)

If the U.S. Department of Agriculture's commodity food program is phased out as scheduled June 30, a number of state schools and institutions now receiving free foodstuffs will find the spigot for an estimated \$12 million in annual subsidies shut off, state department of welfare officials say.

Already caught in a rising food price squeeze, public schools and day care centers, state mental hospitals, non-profit nursing homes and social welfare organizations such as the Salvation Army may soon be tightening their figurative financial belts even tighter.

COST HIKE FEARED

Some schools may be forced to raise lunch prices and discontinue special breakfast programs. And at least one church-operated nursing home says it may have to limit occupancy to private-paying patients.

Already, Dr. Hayden Donahue, director of the state mental health program, has had to ask the legislature for an emergency appropriation to cover the anticipated value of the foodstuffs—about \$141,000 worth. It is used at the three state hospitals at Vinita, Norman and Fort Supply.

RECEIPTS GIVEN

Lewis Hope, supervisor of the schools, institutions and summer camp section of the welfare department food distribution division, said the state last year received a total of 1,112 railroad boxcars of commodities—or about 69 million pounds.

"This was about \$20 million worth," Hope said.

A "big chunk" of the amount—"just shooting from the hip I would say about half"—went to counties for their commodity programs, Hope said. But all but one of those, Beaver County, has initiated a food stamp program to help the needy who formerly received commodities.

SHARES OUTLINED

The remainder of the commodities, Hope said, "goes to about 350 institutions—ranging from day care centers all the way up to mental hospitals; to about 1,800 public schools and to about 225 summer camps sponsored by church and other charitable groups."

All of the foodstuffs won't be eliminated by the phaseout, Hope said, "but this will affect such surplus foods as flour, meal, rice, shortening, rolled oats, peanut butter, split peas, salad oil, peanut butter and sometimes other stuff."

PHASEOUT LIKELY

He said public schools will continue to receive some meats, canned foods and vegetables for their hot lunch programs. But he estimated that as much as 60 per cent or more of the total commodities formerly available to schools, institutions and camps would be eliminated by the phaseout.

"A lot of the poorer school systems say they can't operate if they don't get these commodities," the welfare department official said. "Rising food bills and cutting off the commodities is going to hurt the schools and everybody else."

BILL INTRODUCED

Hope said legislation has been introduced in Congress to retain the commodity food program and its distribution system, but the matter is still unresolved.

Dr. Donahue said notification from the USDA in late January that the three state mental hospitals would no longer receive but small amounts of commodities same as "quite a jolt."

"We figured our losses from not receiving these food items would total about \$141,000," he said. "It's really a jolt, especially with food prices going up like they are. Two or three years ago this wouldn't have hurt so much."

VALUE COMPUTED

Fred Jones, administrator of the school lunch program for the state Department of Education, says the cash value of commodities is figure "at about 7 cents a meal, and some have estimated it higher than that."

340,000 MEALS DAILY

"Across the state," he said, "we serve approximately 340,000 meals a day and the added costs based on that would be more than \$23,000 a day."

Although schools are scheduled to continue receiving some items, Jones said the burden would be so great to some systems that they would either have to make up the difference in lunch price hikes or close their lunch programs altogether.

Harold Speer, storekeeper for the Oklahoma War Veterans Home in Ardmore, placed a value of "about \$8,000" on the commodities that institution receives annually from the program.

Other institutions also face steep yearly increases in their food budgets if the program is discontinued, telephone calls indicated.

Those who don't receive commodities are sympathetic, for among institutional heads there is widespread hand-wringing over food budgets.

FOOD COSTS UP

"We don't accept any commodities here, but we can sympathize with those who are about to have it withdrawn," said Jim Browning, superintendent of the Baptist Children's Home in Oklahoma City.

"Our grocery bill is up \$8,000 over last year."

Salvation Army Division Secretary Maj. J. B. Matthews said from the Army's Oklahoma City office that he was still gathering information on the possible impact of the program's phaseout.

"I'm working on some dollar values now, but I know it is going to affect our budget tremendously," he said. "On a regular week-to-week basis we use commodities for feeding transient and indigent individuals and families as well as needy families. Then in the summer we use a lot of the commodities at our summer camps for youths."

SHAPING UP: A "GRAVE THREAT" TO SCHOOL LUNCHES

The cheap but nourishing lunches served to millions of children in school cafeterias have long been an accepted part of the American way of life—but that way is about to change.

Beginning June 30, the Department of Agriculture will start a "phase-down year" of buying surplus foods for distribution to public schools.

That decision will end federal control of the National School Lunch Program, which got under way in 1946. It will also mark a turnabout in the Government's efforts to find outlets for surplus foods since the first guidelines for commodity buying were set up in 1935.

The reason, according to Administration spokesmen, is simple: Surplus food is getting scarce.

What this is likely to mean is added headaches and possibly rising budgets for school administrators across the country. Protests already are pouring into the nation's capital.

A changing market. Main points at issue between school authorities and the USDA are these:

The educators contend that only the Federal Government, with millions to spend on commodities in vast quantities, has the purchasing power to provide lunches at a cost that students from poorer families can afford.

Federal authorities answer that, with the rising worldwide demand for agricultural products, their leverage to buy in volume at below-market prices is fast dissolving.

The recent record shows this: In 1973, surplus food channeled into schools fell about 70 million dollars short of filling lunch-program needs. The USDA contributed funds to bridge the gap.

Next year, Agricultural economists say, the situation could be even worse, with the shortage of basic food commodities growing more critical.

Edward J. Hekman, administrator of the Food and Nutrition Service, told a Senate committee conducting hearings on the school-lunch program:

"Our efforts to purchase foods, even at market levels, are facing stiff competition, the result being that sometimes USDA receives no bids on orders at all."

Still, there is no intention to leave the school-lunch program completely in the lurch. Assistant Secretary Clayton Yuetter suggested that the USDA hand over to State food-purchasing offices all money appropriated for lunches. Last year, that would have amounted to 313.7 million dollars.

According to an Agriculture spokesman, this shift in purchases to the States would have little effect on a number of schools.

"Many school districts," he said, "have been buying about 80 per cent of their commodities locally anyway."

Shock to schools. But other districts which lack purchasing and distribution systems are—in the words of one official—"absolutely stunned."

An authority in the Montgomery County, Md., school system said:

"We would lose quite a few of our staple items such as butter, flour, cornmeal. We would have to buy these locally at inflated prices. Even if USDA gave us extra money we couldn't come out even. We don't have the purchase leverage they do."

A Virginia State official noted that the Government has already reduced the level of spending for the program by 23.7 million dollars and is seeking to cut it further. What schools need, he argued, is a 12 per cent increase.

A cook in one school wrote to a Senator: "I am sure our school-lunch program would go down in defeat if the USDA took from us these commodities that we are using in our lunches."

Gray Hodges, superintendent of the Beaufort, N.C., county board of education, wrote:

"There is no way we could purchase the same quantity or quality of foods. . . . Without the support of the USDA commodity program, our total school-lunch program will be in jeopardy."

In Springfield, Oreg., a food-service official estimated that, if the USDA ceases to buy commodities, at least 20 of the city's schools will have to go without a lunch program.

Cut in buying power. On March 28, Ellsworth Reiss, president of a food-distribution association representing 13 States and the District of Columbia, told a Senate Agriculture subcommittee:

"Please remember that if there is a cash flow to individual school in lieu of commodities, the volume buying power they have enjoyed in the past will be gone. Individual recipient agencies or an individual State cannot duplicate the savings that the USDA has realized in volume purchasing."

Senator George McGovern (Dem.), of South Dakota, has introduced a bill which would extend the authority of the USDA to buy commodities—even at above-parity prices—for two more years. But Agriculture officials warned that, if the McGovern measure becomes law, "we will be in the commodity-procurement business forever."

Even as the USDA prepared for the "phase-down year," however, President Nixon announced the purchase of 45 million dollars' worth of beef to be distributed as hamburger to schools.

"In a quandary." The action was described as a help to cattlemen in disposing of a surplus of beef. However, John G. Mohay, executive vice president of the National Independent Meat Packers Association, said it left packers "in a quandary."

If the USDA wants "choice" beef, as it has indicated, he said, "I don't see how it could be provided for less than a dollar a pound." This could bring further pressure toward higher prices in lunchrooms and family kitchens.

Opinion favoring the phaseout is not unanimous even within the USDA. Says one of its food-service officials:

"If the USDA goes out of the commodity business, surpluses will go begging. There will be no way to buy or distribute them. Don't forget your distribution centers will be phased out, too.

"We'll be back to killing animals again as we did in the 1930s when all this got started."

COMMONWEALTH OF PENNSYLVANIA,
OFFICE OF THE GOVERNOR,
Harrisburg, May 16, 1974.

Hon. W. R. POAGE,
Chairman,
House Agricultural Committee,
Longworth House Office Building,
Washington, D.C.

DEAR CHAIRMAN POAGE: I would like to take this opportunity to express my strong support for H.R. 14247 which concerns the Food Stamp and Commodity Programs.

I am particularly concerned that this legislation be enacted because of the severe consequences to Pennsylvania and the other States if it does not pass. In the case of the Food Stamp Program, for example, Pennsylvania's FY 1973 costs to administer this program amounted to some \$4.6 million out of a total cost of \$5.4 million. The remaining \$.8 million (or 15 percent) of the total cost was borne by the Federal Government.

If H.R. 14247 had been effective in FY 1973 with the provision for Federal reimbursement to the States of 62.5 percent for all administrative costs, this would have increased the Federal administrative share to \$3.4 million and thereby saved Pennsylvania about \$2.6 million. This savings is, of course, an important matter to Pennsylvania. But more than this, it is my strong belief that, given the Federal legislative mandate for a nationwide Food Stamp Program, the Federal Government should undertake a much larger share of the financial burden incurred in the cost of administration. I feel that the 62.5 percent contained in H.R. 14247 is this fair share for Federal reimbursement to the States.

Turning to the commodity portion of H.R. 14247, this part of the legislation is perhaps even more vital than the Food Stamp provisions. There are three initial reasons why this portion of the legislation is so important.

First, what is of paramount importance is that we are talking about the quality of human nutrition for a significant part of our juvenile and elderly population. It is *not*, as some seem to want to make it, simply a question of removing food surplus supplies as a part of farm economy and price supports.

For example, under the Older Americans Act, the elderly can receive one meal a day for five days a week. With food commodities, these persons can be provided with supplemental nutritional meals. Without these food donated commodities, these elderly persons would suffer nutritionally.

With respect to Pennsylvania, there are some 790 institutions that serve more than 90,000 needy children and elderly persons from donated food commodities. In addition, there are 560 summer camps that feed more than 125,000 children from donated food commodities. To do away with donated food commodities would place the nutritional well-being of these needy persons in jeopardy.

Secondly, and perhaps overlooked, is the fact the donated food commodities are the only immediate available aid to feed the needy in time of national disasters. Pennsylvania can especially appreciate this fact given its recent experience with the disastrous flooding by Hurricane Agnes in 1972. For example, between June 22 and August 4, 1972, the State provided food assistance from donated food commodities to some 88,000 people in 13 counties. This food assistance was valued at more than \$600,000.

Finally, the loss of donated food commodities would place a heavy economical burden on the State which would be difficult to handle. In FY 1971, for example,

Pennsylvania received USDA foods valued at more than \$19 million, \$18 million in FY 1972, and \$15 million in FY 1973. To ask the States to assume this type of heavy financial burden in order to maintain adequate nutritional levels for the needy would be difficult if not impossible.

Even in the case of school districts where the Federal Government would provide substitute cash assistance, there would be critical economic and nutritional problems. An obvious example of the economic problem is the matter of volume buying. Certainly on a national scale, the Federal Government is better able to reduce costs through massive commodity purchases. This same ability is greatly diminished in the case of individual school districts. Hence, the costs per unit would climb considerable.

But, more importantly, as the costs per unit climb, so too must the cost per meal charged to the students. The affect of this would be to probably reduce the ability of students to purchase hot meals and thereby adversely affect the nutritional quality of their meals. In addition, since Federal reimbursement for school lunches is determined on the number of meals served, the amount which the States received from the Federal Government would also decline. More than likely, the state governments would have to supplement this loss in Federal revenues with state funds.

In Pennsylvania, there are 1,004 public and private school districts that participate in the National School Lunch Program. These schools feed approximately 1,353,000 children a nutritious meal in 3,800 schools daily. Thus, the loss of this program in lieu of cash grants would effect a tremendous number of school districts and students. It is important, therefore, to continue this school lunch program for economical as well as nutritional reasons.

Please excuse the length of this letter but the matter of this H.R. 14247 legislation is of such concern to me that I felt that these remarks were essential.

Sincerely,

MILTON J. SHAPP,
Governor.

STATE OF NEBRASKA,
DEPARTMENT OF PUBLIC WELFARE,
Lincoln, May 6, 1974.

Hon. CHARLES THONE,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE THONE: In the very near future you will be voting on many bills related to the commodity program. I sincerely hope that you will consider the information enclosed in this letter when making your decision and that you will vote in favor of continuing the program.

"People must be educated in the choosing of proper foods. All of us . . . must be reminded that a proper diet is a basic determinant of good health."—Richard Nixon, President of the United States in his Message to Congress, May 6, 1969.

Last August USDA was given authority to purchase food on the open market, which expires June 30, 1974. Is USDA advocating extension of this authority? No! In Dr. Yeutter's memorandum to the Secretary of Agriculture on January 25, 1974 he stated, "Our strategy should be to: (1) convince them that they will be hurt little, if any, by a changeover from commodities to cash; and (2) provide an adequate carrot in the form of cash to at least diminish their opposition." It hardly seems that his memorandum was written in the same vein as the President's message in May of 1969. (memo attached)

Furthermore, for fiscal year '74 the president requested that the 93 million dollar budget for the Special Milk Program for the School Lunch Program be reduced by 70 million dollars. The administration fought enactment to increase the reimbursement rates—escalator clause—and the increase of administrative expenses for the School Lunch Program.

Over the past year as the average price of lunches rose five to ten cents. A half million children from middle income homes dropped out of the School Lunch Program. Many of these children are losing the good nutrition they greatly need, especially since they may no longer receive all they require at home. In addition, almost fifty percent of the mothers are working outside of

the home and a large number of children are being bussed to school which means many of the school children are depending on the School Lunch Program more than ever. It is true that there are some very nutritious foods available for a reasonable price but people must be educated in choosing the proper foods. The School Lunch Program has been part of that educational function for a good many years. Now that funds have been made available for nutrition in recent years, this program is becoming an even more important factor.

The government commodity and child nutrition programs are a part of our nation's farm economy. Fiscal year '73 was an extremely poor year as to the amount of food purchased by USDA for its various feeding programs. Nevertheless, it did purchase from processors in Nebraska over \$12,900,000 worth of food accounting for more than 108.6 million pounds which included the following: Flour, All-purpose—\$4,400,000; Flour, Baker's Hard Wheat—\$1,300,000; Bulgur—\$100,000; Macaroni—\$1,300,000; Grits—\$400,000; Dry Beans—\$1,000,000; Corn Meal—\$700,000; Scrambled Egg Mix—\$1,300,000; Pork, Frozen—\$3,200,000; and Turkey, Frozen—less than \$100,000.

This fiscal year USDA purchased for distribution in Nebraska more than 3,300,000 pounds of flour. Let there be no misunderstanding, if USDA does not continue to purchase flour for the schools in this state, that do their own baking or through baking contracts use donated flour, the consumption next year will be much less because they will no longer be able to afford bread products in the quantities to which they are now accustomed. Here in Nebraska we consider bread a basic food item. However, with the additional cost, the amounts which have been used in the past would certainly be considered a luxury.

For these reasons I do not agree that the federal government should get out of the commodity procurement. I do not believe that most schools could buy the same quality of products for lesser price than can the government; nor do I think that if USDA did not buy foods it would be willing to add the money formerly spent on the commodity administration to the present amount appropriated for commodities and give it all to schools in cash. In fact, the seven cents would only purchase approximately two and one-half cents' worth of food if purchased locally.

Last month the superintendent of Nebraska's largest school district stated that the school board has few alternatives in dealing with the problem of fewer commodities and inflation next year. These are raising the prices, "modifying the menu" with cheaper foods, or establishing a local levy to offset the costs. This same school district is the only one out of the 1510 public and non-public school districts in the state that have the personnel and means to write specifications, take bids, and perform can cutting on vegetables and like products. The federal government has been doing an excellent job of this for years. USDA specifications are exemplary and rigidly inspected. USDA is able to purchase in large volume and take advantage of market conditions which cannot be duplicated by individual school districts.

In March the beef industry faced a very critical situation with the poor marketing conditions that existed at that time. We all realize that the cattle in the feed lot have to be sold regardless of price once they reach marketing weight. The purchase of 45 million dollars worth of beef should be effective in stabilizing and improving cattle prices at a time when substantial number of fed cattle are moving to market. It will also assist in preventing serious future dislocations in supply-demand relationships for high quality beef. The entire agriculture industry will be helped as well as the school children of this nation who participate in the School Lunch Program as it is doubtful that the local school districts could purchase en masse 45 million dollars worth of beef if USDA would pay the schools at the rate of seven cents per meal.

With the decline in price of beef and pork it is quite evident that poultry prices will also decline, perhaps drastically, and thus create a need for government purchases. USDA is predicting the broiler-fryer production this year will be five percent greater than that of April 1973 and three percent larger than the 1971-73 average. Turkey will be in near record quantities to the extent of thirty percent larger than 1971-73 average. Cold storage holdings of turkeys will exceed the three-year average by an estimated forty percent.

Secretary of Agriculture Butz is recommending that the commodity program be transferred to the Department of Health, Education and Welfare. If the

commodity program is terminated and whether or not it is transferred to the Department of HEW, the farmers and ranchers who need immediate help will never receive it if the bureaucratic system is going to distribute cash or coupons. By the time it has been determined in Washington how many coupons to make available for distribution to the regional offices, to the state offices and then to the local school districts, the situation would certainly be graver than when they first began printing the coupons.

Few schools would be able to sustain their school lunch program until they began receiving money if the entire program was operated with appropriated funds that would not be received until one-fourth to one-half of the school year had already been conducted. Schools in Nebraska received their first milk reimbursement with the December school lunch reimbursement. However, they began receiving their monthly allocation of donated food during the last week of August.

Dr. Yeutter in a hearing concerning commodities for fiscal year '74 held February 28, 1973 said, "We need to be very careful within the administration and the Congress, both, to make sure we do not erode the flexibility under Section 32 that we needed to act on surplus removal if and when it occurs."

Farm exports have been higher than usual, but could abruptly decline. For example: The Canadian Government, which last year purchased 141 million dollars worth of meat, has already informed us that they will not accept red meats that have been subjected to diethylstilbestrol (DES).

This year there will be approximately an additional ten million acres in production. What would happen if our nation would again have surpluses or commodities that needed price support? It seems only logical that the federal government would be called upon to relieve the situation. It has not been too many years ago when potatoes were piled in huge mounds and kerosene poured over them. Milk was dumped into the streets and hogs were driven into trenches and shot. We do not question or judge any of these practices, but I do ask this question for your thoughtful consideration: Is this the procedure to which we wish to return?

It has been said, and history has proven, that surpluses come and go. In a way Sections 32 and 416 (price-support and surplus-removal programs) are a kind of insurance for farmers and producers, and it might be well to keep them in case the present boom doesn't survive. Section 6 of the National School Lunch Act was enacted after World War II when few surpluses existed in order to establish a nation-wide distribution system, if and when needed. It proved to be an excellent decision. With this and the recent developments in the beef industry in mind, I believe that the need for the commodity program still exists.

I have enclosed some background information which is vital to the agriculture industry as well as to millions of children who participate in feeding programs in our schools, head start centers, day care centers and summer camps and to people of all ages who reside in non-profit institutions.

The attachments enclosed show the amount of food received in Nebraska from the U.S. Department of Agriculture. Attachment #2, which was compiled by Mr. J. W. Chloupek, Supervisor of Donated Foods Program, shows the cost here in Nebraska compared to prices paid by USDA. Attachment #3, list amount of food purchased by USDA in Nebraska, Iowa, and Kansas. (Attachments 1 and 2 are identical to those appearing in Harold R. McGrew's testimony.

It is well to keep in mind that it is not enough to merely extend the program but that the authority for USDA to purchase food on the open market must also be extended. It has been estimated that almost 60 percent of the food purchased this year under Section 32/416 could not have been done without the authority provided in the 1973 Farm Act and that 90 percent of the grains and oil received this year were acquired only because of this act.

Your personal consideration of the matters discussed in this letter will be appreciated and I hope you will agree to recommend the continuation of the commodity program.

Sincerely,

LAWRENCE L. GRAHAM,
State Director.

Enclosures:

ATTACHMENT 3

FOODS PURCHASED BY USDA IN NEBRASKA, IOWA, AND KANSAS FOR DISTRIBUTION TO CHILD NUTRITION AND INSTITUTIONAL PROGRAMS IN NEBRASKA, JULY 1973 TO APRIL 1974

Category ¹ and item of food	Number of pounds	State
1 Beef, frozen, ground, 55 pounds.....	30,500	Nebraska.
2 Bulgur, 48 pounds.....	50,016	Do.
2 Butter 32 pounds and 36 pounds.....	1,113,948	Iowa.
2 Cornmeal, 50 pounds.....	39,700	Nebraska.
3 Farina 21 pounds.....	63,000	Iowa.
2 Flour, all-purpose 50 pounds.....	1,399,500	Kansas.
Do.....	1,398,000	Nebraska.
1 Flour, Baker's hard wheat (bulk).....	493,130	Do.
2 Frankfurters, frozen, 40 pounds.....	76,000	Do.
1 Margarine, 30 pounds.....	115,200	Do.
2 Oats, rolled, 50 pounds.....	40,000	Iowa.
1 Poultry, canned 43.5 pounds.....	147,900	Do.
1 Turkey, frozen 43 pounds average.....	140,000	Do.
Totals:		
Nebraska.....	2,202,546	
Iowa.....	1,504,848	
Kansas.....	1,399,500	
Grand total.....	5,106,894	

¹ Category of issues: 1—To schools; 2—To schools and institutions, and 3—To supplemental feeding program.

MEMORANDUM OF DR. CLAYTON YEUTTER, ASSISTANT SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, TO EARL L. BUTZ, SECRETARY

January 25, 1974

To: Secretary Butz.
Subject: Commodity Procurement.

GENERAL BACKGROUND

1. Purchasing is handled by: (1) AMS under the Section 32 surplus removal program, with distribution by FNS to both family and child nutrition (school lunch and breakfast) programs; (2) AMS under Section 6, which is not limited to surplus removal, with distribution by FNS only to child nutrition programs; and (3) ASCS under Section 416 for price support purchases, with distribution under P.L. 480 and other foreign distribution programs, and also by FNS to both family and child nutrition recipients.

2. There is some additional distribution to (1) institutions, primarily charitable entities; and (2) specialized groups such as pregnant and lactating women and small children; as well as distribution in emergencies, such as floods.

3. A preliminary evaluation by Dr. Paarlberg's staff indicates that benefits to producers from our surplus removal efforts have not been great. The exception is in some of the specialty crops, primarily in California and Florida; where elimination of the program would be strongly opposed.

4. A possible alternative to these programs, if and when surpluses develop in future years, would be a voucher system. There is some precedent for this; in essence, food stamps are vouchers, though they need not be used for specific foods. And we are now using vouchers, applicable only to certain specified foods, in two of our supplemental feeding programs (e.g., WIC). But the ramifications of the much broader use envisioned here have not yet been researched.

5. AMS, FNS and some of Assistant Secretary Wright's staff have developed a study proposal which would encompass the voucher alternative and a number of other aspects of this program. This proposal is being held in abeyance pending our immediate policy decisions.

6. Senator McGovern and a number of other liberals in that body, representing both parties, have just introduced legislation that would require us to maintain *all* our commodity procurement programs at no less than present levels.

7. The school feeding lobby is strongly opposed to termination of commodity procurement for child nutrition. The primary reason is that they wish to avoid

transfer of the child nutrition programs to HEW. They believe that if they can keep a USDA procurement program going, this will strengthen their hand in resisting a transfer of the distribution system (FNS).

8. We will phase out most of the family procurement programs by June 30 of this year, as required by the 1973 Farm Bill. Exceptions will be: Puerto Rico, perhaps a few counties in the U.S., and perhaps the Indian reservations. It will take most of FY 75 to get the "exceptions" on food stamps.

We have one supplemental feeding program which involves commodities; this too will continue in FY 75, but probably could be phased into WIC—a voucher program—in FY 76.

Thus, the only remaining commodity programs in FY 76, i.e., on July 1, 1975, would be (1) child nutrition; (2) institutions; and (3) P.L. 480 and other foreign distribution.

RECOMMENDATIONS

1. All out opposition to the McGovern legislation. If it should pass, we'll be in the commodity procurement business forever.

2. A gradual phase down (and hopefully phase out) of existing procurement and distribution programs during FY 75. As discussed above, this is already planned for the family programs, and can easily be done in the supplemental programs. Distribution to institutions should be phased down as much as possible, thereby minimizing the flak that will be received if and when complete termination takes place, i.e., on June 30, 1975. Distribution to the schools should be reduced dramatically, and the shortfall replaced by cash, as is already permitted by law. This too will reduce the shock if distribution is completely terminated on June 30, 1975. It probably is too early to determine whether foreign distribution can also be terminated at that time.

3. An objective of complete termination and disbanding of these programs on June 30, 1975. This can be done by administrative action, if the pending McGovern and similar legislation can be forestalled.

There will be some difficulty in terminating help to institutions, but this can be overcome. The much more difficult battle will be with the child nutrition lobby. Our strategy should be to: (1) convince them that they will be hurt little, if any, by a changeover from commodities to cash; and (2) provide an adequate carrot in the form of cash to at least diminish their opposition.

Foreign distribution should also be evaluated at that time.

4. In the interim, the voucher alternative, for surplus removal should be carefully studied and readied for implementation if needed. Otherwise, we're liable to be forced back into the commodity procurement business if and when surpluses develop. The Section 32 removal authority will still be on the books, and the Department would probably be forced to use it unless a voucher or some other alternative is available.

CLAYTON YEUTTER,
Assistant Secretary.

[News Release of Senator George McGovern, South Dakota, Feb. 13, 1974]

McGOVERN SEES USDA EFFORT TO ELIMINATE FOOD COMMODITY ASSISTANCE TO SCHOOLS, MALNOURISHED, FOOD FOR PEACE

WASHINGTON, D.C.—Senator George McGovern said today that a previously confidential Department of Agriculture memorandum shows evidence of a philosophy within the Department that is determined to get the government out of the business of providing direct food assistance to the people who need it most.

McGovern released a copy of a January 25, 1974, memorandum from Assistant Secretary Clayton Yeutter to Secretary of Agriculture Earl Butz, recommending sharp reductions and "hopefully a phase-out" of all Government purchases of food commodities for domestic food programs and possibly for Food for Peace assistance as well.

"If Mr. Yeutter's recommendations are carried out," McGovern said, "it could affect markets for dairy, meat, grain, fruit and vegetable producers and processors who provide most of the commodities purchased by the Government. It would work real hardships on orphan homes, school children and school

budgets, disaster victims and relief agencies, older Americans and the institutions serving them, and especially the most undernourished among us."

McGovern is chairman of the Senate Select Committees on Nutrition and Human Needs.

The Yeutter memorandum, after describing how the family commodity program (direct distribution of food to eligible families) that will be eliminated this year in favor of a nationwide Food Stamp program, says that:

"Distribution to institutions should be phased down as much as possible, thereby minimizing the flak that will be received if and when complete termination takes place, i.e., on June 30, 1975. Distribution to the schools should be reduced dramatically, and the shortfall replaced by cash, as is already permitted by law. This too will reduce the shock if distribution is completely terminated on June 30, 1975. It probably is too early to determine whether foreign distribution can also be terminated at that time." (text of memo attached)

McGovern said the internal memo appears to be a direct response to legislation that he and several other senators have introduced to continue USDA's authority to purchase food on the open market to meet the Government's obligations under other existing law, such as the National School Lunch Act. Such authority now expires July 1 of this year.

"If the USDA is successful in 'all-out opposition to the McGovern legislation,' as characterized in the Yeutter memorandum, the potential effect could be harmful both to the farm economy and the many recipients of the various programs—schoolchildren, the elderly and disaster victims," the South Dakotan pointed out.

In Fiscal 1973, for example, USDA donated 980 million pounds of food to schools, 127 million pounds of food to charitable institutions such as senior citizen homes, and an average of 3 million pounds of food to the American Red Cross for disaster relief. In testimony before the Senate Nutrition Committee last October Mr. George Elsey, President of the American National Red Cross, stated that "If the Red Cross had purchased those same commodities on the open market, the cost to Red Cross would have been at least twice what it cost the Federal Government to acquire the commodities in question."

McGovern characterized the memo as "the final step in the Administration's hope to vanish as a factor in the farm and food economy. So-called free market boom or bust economics may be a windfall to a few market manipulators but it is a long-range disaster for the farmer and the consumer."

THE CURTIS PARK COMMUNITY CENTER, INC.,
Denver, Colo., May 2, 1974.

Hon. MR. MELCHER,
House of Representatives,
Washington, D.C.

DEAR SIR: The Curtis Park Community Center of Denver sponsors Camp Leslie S. Deal, a summer camp for underprivileged Children of Denver's inner-city. For some time we have been receiving commodity foods to supplement our program at camp. We have relied on this food to help defray the growing cost of providing nutritious and appetizing meals to the children during their two-week stays in the Rocky Mountains at our camp.

We understand that unless new legislation is enacted this year, that the commodity foods will not be available after the summer of 1974. Our budget is very low, and this would drastically effect the number of children we could serve at camp.

Therefore we are asking you to encourage Congress to take action on *H.R. 12168*, which will enable the commodity program for eligible summer camps to continue.

Thank you for your help.

Sincerely,

Rev. GEORGE H. TURNER, M. Div., M.S.W.,
Program Director.
 CANDACE PETERS, M.S.W.,
Executive Director.

MAY 8, 1974.

HON. JACK BRINKLEY,
Member of Congress—Georgia,
Washington, D.C.

DEAR JACK: It seems that the Agriculture Committee of the House is looking into the USDA's surplus commodity buying for the schools and as a food service distributor I would like to go on record for a change in the method that is now used. The present policy of distributing the so called surplus food commodities really should be changed and I honestly think a change in the system would save the government or I should say the taxpayers a goodly sum of money. Under the present system there seems to be a tendency to over stock some of the schools with certain items. This is especially true of perishables and this over stocking many times happens near the end of the school year forcing the school to carry over into the new school year items such as lard, shortening, oils, flour, corn meal, dry peas and beans which become contaminated during the hot Summer months. Another reason I think this program should be changed is the fact that at the present time there does not seem to be a surplus in any commodity in the food line canned, frozen, fresh, dried or otherwise. Just because a commodity happens to be surplus is no reason why it should be wasted. Adopt some program for the schools such as the present welfare program instead of surplus commodity, give the schools stamps or checks or some token whereby they may use same for the purchase of food and food alone.

I had the pleasure of talking to Dawson Mathis today as he is a member of the "ad hoc" subcommittee and they will have hearings on this question. Dawson's thinking seems to agree more or less with mine in the above suggestions, and any help that you can give us as well as the hundreds of food service distributors will be appreciated. We do not ask this help for selfish reasons but truly think it's good business and will cut down alot of waste which has occurred in the past.

Sincerely,
GLOVER WHOLESALE CO.,

J. H. LUMPKIN,
President.

HAROLD STEPHENS CO.,
Allentown, Pa., May 6, 1974.

ANITA BROWN,
House Agriculture Committee Staff,
Longworth House Office Building,
Washington, D.C.

DEAR MS. BROWN: In reference to the Congressional Sub Committee hearings on direct purchases by the USDA of foods for the school lunch program, we would like to voice our opposition. This country cannot be run by a few pressure groups. Decisions have to be made on what is best for the most people, otherwise Democracy perishes.

There is absolutely no reasonable objection to direct cash subsidies to the lunch program rather than direct purchase of products unless a few people might feel that they would not come out as well personally. Direct purchases drive up wholesalers costs in addition to costing every buyer of foods other than those receiving these purchases. Every hospital, nursing home, private school, and small restaurant or large, pay the higher price because the canner underbids on direct sales and has to make up his costs by charging other buyers a much higher price. This is historically true for the last 15 years. Our costs go up because of inconsistent sales volume; we are busy one month, not nearly as much so the next, because a lot of our potential volume has been removed by the schools receiving their merchandise from the government.

These are simple facts of life. We know the schools need help in keeping their prices of lunches down, but the money should be spent with the most efficiency and with due regard for all the people.

Thank you.

Respectfully,

WILLIAM H. STEPHENS, Jr., President.

TONY DOWNS FOOD CO.,
St. James, Minn., February 22, 1974.

Hon. THOMAS S. FOLEY,
House of Representatives,
Washington, D.C.

DEAR MR. FOLEY: I ask your support of Representative John Melcher's bill H.R. 12168, introduced into the House on January 21, 1974, for the following reasons.

On February 15th the United States Department of Agriculture purchased 4,215,150# of Canned Boned Chicken from manufacturers in the United States, at an average price of \$.8246 per lb. In addition to this cost, the U.S.D.A. pays \$.0275 per lb. for distribution to central warehouses throughout the United States. The total cost to the Government delivered to warehouses is \$.8521 per lb. Without this U.S.D.A. program, each state institution would purchase the same commodity from a distributor located within their state areas for distribution to their facilities. After checking with many distributors throughout the United States, we have found that a state institution would pay approximately \$2.10 per lb. for the same commodity. The difference between the \$.8521 and the \$2.10 per lb. results in an additional cost of \$5,260,033.89.

Based on the price differential of the February 15th purchase, when applied to the total purchase of 186,657,000 lbs. to date, the additional cost to the taxpayer of the United States would be 233 million dollars for this commodity alone.

The U.S.D.A. buys many commodities other than Canned Boned Chicken for distribution under this program and without the U.S.D.A. Program, the taxpayer would be out billions of dollars each year. The numbers we have referred to can be verified by you personally by contacting the U.S.D.A. for the commodity price paid and by contacting food distributors within your constituency.

We ask that you please give this bill No. H.R. 12168 your careful consideration and utmost attention in order that we may save billions of taxpayer dollars.

Very truly yours,

TONY DOWNS,
Chairman of the Board.

DIRECT DISTRIBUTION IN 1946-60's IS EXPENSIVE DISTRIBUTION IN 1970's

(By James M. Michaelson, Director, School Food Services, Anoka-Hennepin District No. 11, State of Minnesota)

The National School Lunch Program in 1946 and the Child Nutrition Programs operating in the 1970's are much more complex and greater volume. The Direct Distribution that was organized to move federal commodities is now outdated. The Child Feed Programs have grown to where this system is no longer satisfactory. A new system must be conceived and put into operation of the aims and purposes "to safeguard the health and well-being of the nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other items," is to continue. Monies and labor at Federal, State and local levels need to be reorganized for greater efficiency and savings.

The National School Lunch Program was serving 6 million children in 1946-47 is now serving 24 million, or a 400% increase. This increase has made the School Food Service programs second in the nation in total volume of food purchases, \$762 million for a single industry. Child Nutrition Programs are second only in volume to the U.S. Army.

An increase of 400% in 25 years is one of the reasons that the U.S.D.A.'s Direct Distribution Program that was set up to handle surplus foods should be given an intensive study or review to see that it is or isn't doing what it is supposed to. It is truly big business and must be modified accordingly.

The following pages will give additional reasons why this study is necessary. Time is going to be needed to sort out all the facts, figures, and true cost items involved in a system that affects millions of dollars and thousands of people. Reference is made to the McKenzie Study which outlined acquisition cost vs. final cost to be as great as 40% higher.

The results and recommendations of a specific study on the direct distribution of school lunch items would be of great assistance to various levels of govern-

ment, Federal, State, and local. The trend is toward greater expansion yet with only 40% approximately of our school enrollment being served nationally.

The present system of "Direct Distribution" calls for the U.S.D.A. to purchase large amounts of many foods, allocate them to the State Departments in each state, who in turn allocate them to the local school districts. The state office requires and receives a requisition from the districts. These requisitions are then processed for delivery to the schools, normally by regular truck carrier.

The cash value of the U.S.D.A. foods purchased since 1946 shows a wide variation from year to year. For example, the 1954 value was \$43 million greater than 1953. A drop of \$23 million the very next year in 1955 was experienced. The 1965 foods increased \$77 million over 1964, with a \$100 million drop in 1966.

This sporadic value change from year to year causes many problems at the state and local levels. Warehouse space, delivery schedules, school storage space and budgeting each year is impossible without some trend or pattern to follow.

The U.S.D.A. allocations made to states causes overcrowding at peak times in the school year and very little at other times. These high and low periods require the renting of extra space which is more costly for these peak periods. The only other alternative is to have a big warehouse that is only used part of the time. This extra room must be paid for and is another cost to be added to the acquisition cost of these products.

The school districts have the same problem when the state delivers to them. The local district is asked to take their entire allocation of an item at one time. Most, if not all, schools have very limited storage space and they find it very difficult to store their share for very long. To add to this problem, each fall many different food items are delivered about the same time. All these items together tend to compound the problem.

Schools have to either build bigger storerooms in their schools, rent dry and/or freezer space commercially or turn down the donated item from the government, all of which add to local schools cost of operation.

Each year the U.S.D.A. has been purchasing and allocating approximately 35-40 school food items. 15-20 of these items are limited in availability, items that schools will receive only once during the year. Approximately 20 food items are those that schools can order all they can use, flour, dry milk, butter, shortening or lard, rolled oats or wheat, cornmeal, bulgar, rice, etc. The receipt and delivery of all these donated foods is limited to schools.

State office procedures, staff, warehousing, methods of delivery complicate the problem. The state departments have tight budgets and limited staff which in turn limits any extra services that might be performed. Each time they have to accumulate requisitions, delay or split shipments, it takes time.

Delivery dates cannot be planned on most U.S.D.A. foods. The time elapsed between the U.S.D.A. notice of purchase, allocation and delivery to states, the state's allocation and requests from schools to actual delivery at the schools, will range from 2-5 months. Local school districts must continue their buying and menu planning as if no U.S.D.A. items were expected. If a district tries to coordinate with expected delivery of U.S.D.A. foods, it wouldn't happen. Substitution and last minute purchases cost more money and upset printed menus.

Each year a certain number of canned and even fresh food items are distributed to schools late in the year. This causes a great deal of rescheduling on menus in order to use the foods by the end of school. The U.S.D.A. requests or requires these foods not be carried over to the next year. School menus are found serving foods more often than desired for menu variety and acceptance. Items not used each year must be stored until the next fall. This adds to district storage needs and program costs.

The warehousing and storage cost of the state agency must be considered in any evaluation cost. A check of rates for commercial lockers and warehousing will show you a per case cost that must be paid when these services are used. The state agency as well as local districts are using these facilities and paying these charges in order to implement Direct Distribution. Depending on the type of space required and amount of order, per case will total 24-60¢ for in-handling and storage for the first month.

Another significant and probably most expensive cost in the Direct Distribution is freight and transportation. State agencies have implemented different systems in their commodity distribution to schools. Some use common truck carriers, others have contracted trucking for their state and still others require their school districts to pick up their food at specified points periodically.

Depending on the size of their food service program, distance from originating point of common carrier, distance from state warehouse and their own storage facilities, cost per case in freight will vary. For example, minimum shipments of 200# or 4 cases will cost \$6.36 or \$1.59 per case freight, dry or perishable. Small districts offered a single item will often pay this in freight. Another district of larger size will pay \$1.83 cwt. for 5000# or 92¢ per case for 100 cases, or 20,000# or 400 cases at 78¢ cwt. or 39¢ a case. Freight rates vary due to distance from warehouse to school, dry vs. perishable and size of shipment. Proper handling of frozen and perishable items is also a problem.

The trucking companies on July 1, raised their rates 9% and will have to again increase in 6 months due to their labor contracts. Freight costs continue to be very significant cost of Direct Distribution that must be paid by the schools. States that have schools pick up their own foods have trucking costs to be considered. Distance and number of trips necessary will raise cost.

The prices paid for foods purchased is questioned. Many school districts can buy some of the items cheaper than the U.S.D.A. and have no distribution or delivery problems. A serious evaluation must be made on national and regional buying advantages. School districts have become quite sophisticated in their purchasing practices and buying power and do an excellent job.

A comparison of the acquisition price paid by the U.S.D.A. on donated items against the purchase price delivered on the items by the school districts would be very revealing. Frozen ground beef is leading example last year. The U.S.D.A. paid 56¢, schools were paying from 49 to 54¢.

The variety, type of items, and acceptability must also be evaluated carefully before purchase. We no longer have the "surplus foods." They are donated to our program through price support or direct purchase from the supplier. These items do not come from the government warehouses and storage areas, they come from the market.

School food service programs are a large ready market for all foods. Our personnel have used and found uses for many common unusual products. We do recognize a training and learning situation. This must be evaluated when bulgar, hominy grits, dehy. sweet potatoes, whole turkeys, and other uncommon, raw, or high labor requirement items are purchased. Schools are using these items in varying amounts due to attitudes, labor and equipment requirements and state availability.

Fresh fruit items, frozen and other perishable foods must be carefully handled if efficient use is going to be made of the item. Waste and spoilage will result if coordination at all levels is not accurate.

U.S.D.A. offices in Washington and their regional offices do recognize these short comings and would be willing to consider any suggestions or studies that might recommend a system that would work better for all.

A special meeting was called this past year of all state personnel in Direct Distribution in Washington. This committee or task force had many members that feel changes are necessary.

The U.S.D.A. did revise food stamps in the state welfare programs. They converted the physical handling of donated foods to a system where coupons are redeemable for the same items at the local retail store. This was a revision in an old system, implemented at the retail level. A similar system could be established in the school food service at the wholesale level.

I have tried to list the major problem areas in the direct distribution to this point. Other items could be included; separate bookkeeping requires double inventory, unfamiliar products, and necessary training for occasional offering, religious limitations in local areas and special labeling.

The following comments will show how the present network of suppliers, brokers and distributors can be utilized to produce the same results at less cost to the school district.

School districts rely on their suppliers and distributors for 75% of their total food needs. The U.S.D.A. has furnished about 25% of all foods used. School districts are in daily contact with their suppliers for the foods necessary in menus. Many if not most of the same items the government has purchased and distributed to schools are also purchased regularly by the school districts.

Schools have established competition with their suppliers and are buying foods with various services and the best possible prices.

The distributor is able to offer additional services that may be requested by the school. Each school district requires a different set of these services, delivery,

timing, billing, accountability, etc. Each school's staff, their program and facilities vary and cause this difference in services to be needed.

A system that would use the wholesale distributor to deliver the donated foods would offer him ways to economize and save. This saving would result in even more competition and better rates for schools. For example; the wholesaler is already buying from the same seller the government is buying from. U.S.D.A. purchases could be added to his order. This larger order, carload rates and a lesser cost for handling will result on the total order.

The wholesaler already has set up delivery requirements of the school district and is supplying his food needs 75% of the time. Adding donated foods to these orders would be simple and inexpensive compared to the special trip for donated foods by common carrier or regional pick up that District Distribution is using.

Better coordination will also result in this revised system. The wholesale distributor will be able to schedule his inventory with school needs. If he stocks his warehouse with school items not needed, his costs go up. If he doesn't buy what we need, our costs go up. This does happen in Direct Distribution.

The wholesale distributor and the school district buyer need each other. He can and does help us and if we can help him, we gain the benefits through better products, more service, and lower prices.

School Food Service still has a few small town grocers that supply their local school district at "uncompetitive" prices. A revised system would assist in controlling this type of thing and bring program benefits to all children.

The concept of School Lunch has changed over the last 25 years. Our programs are now concerned with more School Lunch. Even the name was changed from the National School Lunch Program to the Child Nutrition Programs. Our concern is for the complete nutritional development of our children. New programs are being added every year, breakfast, day care, needy, etc. Nutrition education is also being developed through curriculum changes.

The "Universal School Food Service" bill is now in Congress that indicates the trend and feeling of many people on the importance of our programs. The bill will allow 100% of our children to lunch at school. Remember that we are now serving only 40% nationally.

School districts have consolidated. They have better facilities than 25 years ago. The staffs in these schools have updated and have the professionalism to adopt and implement program changes that will be necessary to meet the challenges in our expanding industry.

"Surplus Commodities" is also a thing of the past. The U.S.D.A. no longer has warehouses full of food items that need outlets. Most, if not all, foods purchased now are yearly price support or direct appropriation items, specifically earmarked for schools.

The school food service programs could very easily adopt procedures and combine to price support any item the government felt needed help. Exact specifications and information could be furnished that would allow schools to buy, on the competitive market, any specific items and use it in their programs. School food services do a great deal to boost the local economy, agriculture and education by this system. Congressman Carl Perkins stated at the Las Vegas School Food Service Convention that he felt local school purchases would be a great procedure for all.

Items purchased by the government are now purchased from the same suppliers as the wholesale distributor. This makes the government another distributor in the wholesale market. Yet the federal government does not deliver, the state and local agencies must perform this service, which is not their specialty. They are a distributor who has contracted someone else to perform this service. This is more expensive than his competition.

A pilot purchase and delivery of a Section 6 food, one dry and one frozen item, should be tried to learn the advantages and disadvantages. Final cost amounts could be calculated from the time of purchase to school delivery.

The established firms now supplying our needs in schools are set up to do a job at competitive rates. The Direct Distribution system has outgrown its capacity and is using too many people to perform services which are not in their service areas. Direct Distribution costs are being paid by the state and local districts. Adding the costs incurred after the U.S.D.A. purchase to the final use in a school will cost 2.00-2.50-2.75 per case depending on your state and school needs.

An in-depth study is needed on the effectiveness and cost of Direct Distribution. This study should be done through the cooperation of the U.S.D.A., A.S.F.S.A., State Directors, the President's Nutritional Advisory Council on Child Nutrition and American School Business Officials and the *Association of Institutional Distributors*. This study should recommend specific procedure changes to be implemented by the U.S.D.A. and the state agencies. The next few years could very easily compound our costs even further with predicted increases.

The following procedures are suggested for consideration. There are advantages in each system.

1. A certificate good for purchase of an exact allocated number of units of prespecified food item. This would be paid for by the U.S.D.A. by school districts showing quotation summaries and the product's purchase price. Each school district would buy at their best price.

These certificates would be as good as cash payment for the foods. It is a compromise that would achieve the purpose of price support and increase actual cash available to the school program.

2. Warrants good for the cost of delivery of the U.S.D.A. purchased foods; the U.S.D.A. would still do the buying. Distributors would bid or quote only on the charge necessary to deliver that item to schools. Each school district would ask for these rates. U.S.D.A. would buy as a supplier and not require items to move to the states. U.S.D.A. would still retain buying power. Regional differences would be minimized.

Consideration should be given to this system if U.S.D.A. labeling is required. Movement under government specs to wholesale distributor and on to schools could save the need and cost of handling for this special U.S.D.A. labeling.

3. Cash reimbursement by state offices based on claims submitted showing the purchase of specific food items. This would be similar to the Special Milk Program reimbursement for fresh milk purchased each month.

4. Cash reimbursement for all lunches served. The entire appropriation for purchase of donated foods would be paid to local districts as are the Section 4 funds now. The Type A lunch served would contain all necessary portions and be reimbursed in all cash at the higher rates.

Plentiful foods and recommended good buys could be encouraged by U.S.D.A. The school food service programs would use almost all items presently being used. Type A requirements would be adjusted to meet certain objectives, when necessary.

Program growth, increasing costs, the changes in farm surplus, the new approach to school feeding and Direct Distribution have reached a plateau, all are reasons that a serious look into possible changes is necessary.

Discussions, conferences and every day experience with many personnel in this field and related areas find that *all* agree, changes are necessary. What these changes will be can only be answered by the results of a well-planned, indepth study. Specific quotations by personnel have been intentionally omitted because of the impact any recommendation for or against could have. Any revision will affect warehousing, trucking, economic planning and administrative positions in many areas.

I do believe that if all groups involved in this program look positively at what is needed to get the job done, it will get done. Administrators, businessmen and officials at all levels need to work toward a common goal, a system that will provide schools with their needs at the lowest cost to federal, state and local districts.

James Michaelson was formerly assistant director of the School Lunch Program in the State of Minnesota.

MAILGRAM FROM SUPER VALU STORES, INC., HOPKINS, MINN.

ANITA BROWN,
House Agricultural Committee Staff,
Longworth House Office Building,
Washington, D.C.

The senior management of Super Valu Stores, Inc., the Nation's largest food distributor and supplier to more than 10,000 schools and other institutions, urges passage of H.R. 14247 and H.R. 13645 which the House Agricultural staff committee is hearing on May 7-9.

We believe that the positive aspects of the bill are the following:

It will reduce the inflationary impact of Government buying which is done too far in advance of use.

It will act to build better balance in school menus—schools would not have to work around massive quantities of a single food stock supplied by the Government.

Seasonal or local products can be taken advantage of.

Local food preferences can be met.

Distribution costs will be lowered since fewer steps are involved.

A school's investment or a school system's investment in trucks and warehouses would be lowered.

HOWARD L. BENIDT,
Director of Corporate Communications.



