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TO AMEND THE NATIONAL SCHOOL LUNCH ACT

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HEARING

BEFORE THE

GENERAL SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 4278

A BILL TO AMEND THE NATIONAL SCHOOL LUNCH ACT
TO ASSURE THAT FEDERAL FINANCIAL ASSISTANCE TO
THE CHILD NUTRITION PROGRAMS IS MAINTAINED AT THE
LEVEL BUDGETED FOR FISCAL YEAR ENDING JUNE 30, 1973

HEARING HELD IN WASHINGTON, D.C., FEBRUARY 26, 1973

Printed for the use of the Committee on Education and Labor

CARL D. PERKINS, *Chairman*



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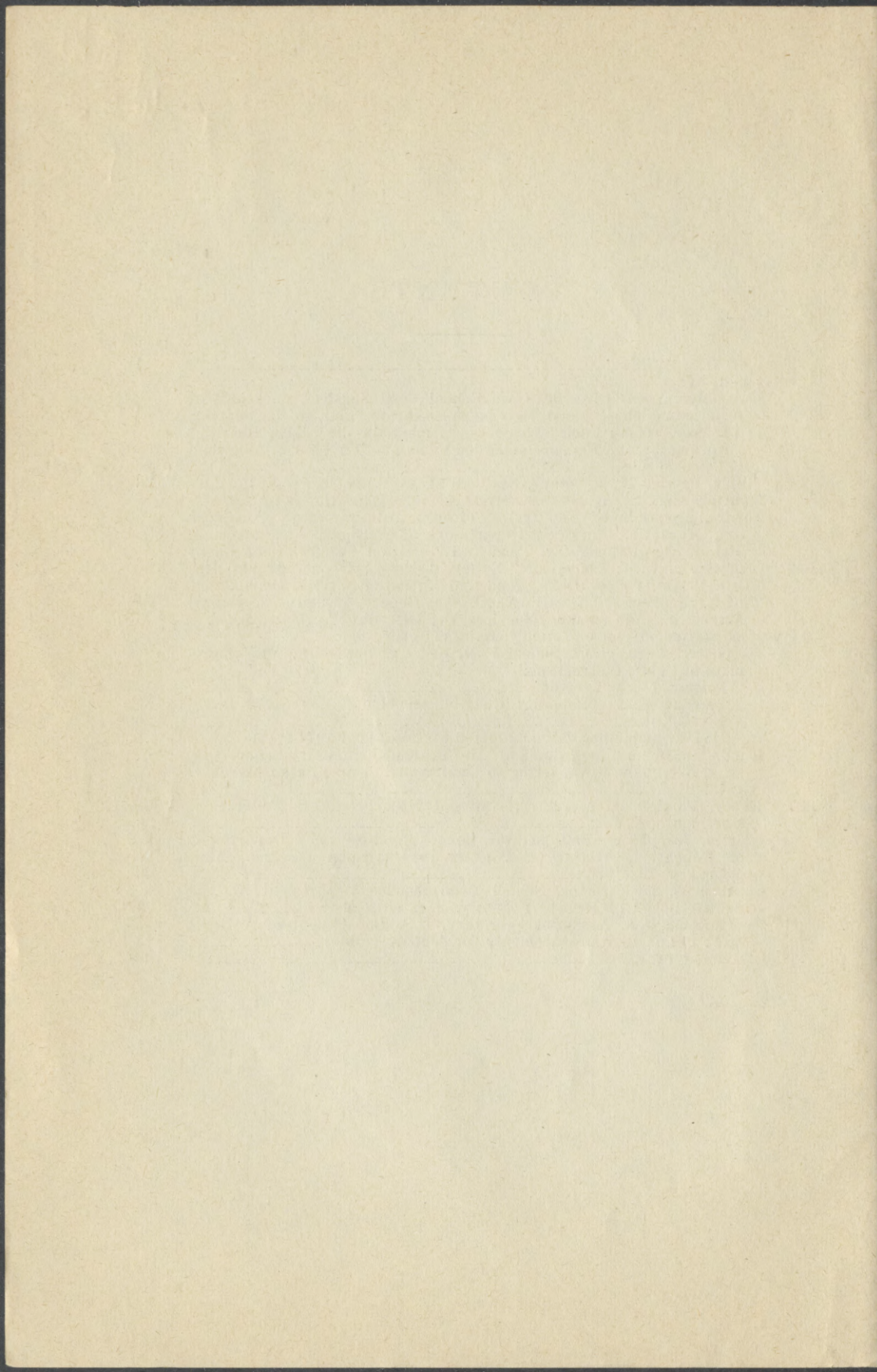
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TO AMEND THE NATIONAL SCHOOL LUNCH ACT

MONDAY, FEBRUARY 26, 1973

HOUSE OF REPRESENTATIVES,
GENERAL SUBCOMMITTEE ON EDUCATION OF THE
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met at 1 p.m., pursuant to call, in room 2175, Rayburn House Office Building, Hon. Carl D. Perkins (chairman of the subcommittee) presiding.

Present: Representatives Perkins, Lehman, Meeds, Mazzoli, Quie, and Peyser.

Staff members present: John F. Jennings, counsel; Christopher Cross, minority counsel; Eydie Gaskins, special assistant.

Chairman PERKINS. The committee will come to order. A quorum is present.

The bill to be considered at today's hearing is H.R. 4278. The purpose of this bill is to amend the National School Lunch Act to assure that Federal financial assistance is maintained at the level budgeted for the fiscal year 1973.

(Text of H.R. 4278 follows:)

[H.R. 4278, 93d Cong., first sess.]

A BILL To amend the National School Lunch Act to assure that Federal financial assistance to the child nutrition programs is maintained at the level budgeted for fiscal year ending June 30, 1973

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

CONGRESSIONAL FINDINGS

SECTION 1. The Congress finds that the volume and variety of Federal food donations to the school lunch and child nutrition programs are significantly below the amounts programed and budgeted for the fiscal year ending June 30, 1973, and that schools participating in these programs are confronted with serious financial problems in obtaining sufficient supplies of foods required to meet the nutritional standards established by law for these programs. It is, therefore, the purpose of this Act to provide an effective and immediate solution to this nutritional crisis.

SCHOOL PURCHASES OF FOOD SUPPLIES

SEC. 2. Section 6 of the National School Lunch Act is amended by adding at the end thereof the following new paragraph and by redesignating the existing portions of said section as paragraph (a):

"(b) Notwithstanding any other provision of law, the Secretary of Agriculture shall determine by March 1, 1973, the amount of funds programed and budgeted under section 32 of the Act of August 24, 1935 (7 U.S.C. 612e), and under section 6 of the National School Lunch Act which will not be expended during the fiscal year 1973 for the purchase of agricultural commodities for distribution to school lunch programs. The amount of such funds shall be allocated among the States in proportion to the number of meals served in a State

in the fiscal year 1972 under this Act and the Child Nutrition Act as that number relates to the total number of such meals served for such year in all the States. Such funds shall be used for the purchase of food supplies by schools participating in the programs authorized under this Act and the Child Nutrition Act."

Chairman PERKINS. There is need for passage of this bill because the quantity and dollar value of foods donated to the school lunch program by the Department of Agriculture have declined substantially below the amount delivered to schools last year.

Further, it does not appear at this time that the Department will be able to acquire and distribute the full amount of foods which were included in the Agriculture budget for this fiscal year.

H.R. 4278, therefore, proposes that funds budgeted and programed for school lunch foods under section 6 and section 32, which cannot be expanded for foods to be used in this fiscal year, be allocated to the States for distribution to participating school lunch programs.

Any funds so allocated, under the terms of the bill, are to be used for the purchase of food supplies by schools participating in the programs authorized under the School Lunch and Child Nutrition Acts.

The passage of this bill would not require any new or supplemental appropriations since the expenditure of \$313.7 million for commodities to be donated to schools was approved in the Agricultural Appropriations Act for the fiscal year 1972-73.

This amount, \$313.7 million, is designed to provide 7 cents per meal for the 4.5 billion meals expected to be served under the school lunch program this year. The commitment and intent of the USDA to supply this level of commodity assistance to schools this year was made clear in the course of the hearing on H.R. 14896 before a subcommittee of the Senate Committee on Agriculture and Forestry on July 28, 1972.

Following an exchange of correspondence between Senator Allen and the USDA, the report on H.R. 14896 stated "the committee wishes to make it clear that it intends that the level of donated commodities not be reduced from that level provided during the 1971-72 school year, which was about 7 cents."

Since the July 28 hearing, it has become increasingly evident that the Department of Agriculture would be unable to supply commodities for the school lunch program at the level of 7 cents per lunch.

While the Department has increased purchases of both frozen turkey and chicken this year, as of the present date it has been unable to purchase any beef, and only a very small quantity of pork.

In fiscal year 1971-72, the USDA purchased about \$70 million worth of beef and pork for the lunch program. This year's purchases of red meats—pork only—amount to no more than \$10 million.

Further, there has been no distribution of cheese to the schools this year, whereas last year schools received nearly \$15 million worth of this important protein food.

According to the most conservative estimate, schools will receive this year no more than 5 cents per lunch in donated foods, compared to the 7-cent figure as budgeted.

This year school lunch programs have been hard hit by the sharp general increases in the prices of foods such as meats, milk, and fruits, and vegetables, which must be purchased and served to meet the nutritional requirements of the national school lunch program.

Accordingly, even the foods purchased and donated by the USDA have yielded fewer pounds per dollar of expenditure because of higher prices.

In the course of this hearing, I am hopeful that we will be able to develop the following information:

- the best estimate possible of the dollar value of all foods to be donated to schools for use in this year's program, and the amount which this represents on a per meal basis;

- for each individual food item donated, the quantity and dollar value of purchases last year and for this year;

- for any food item purchased or to be purchased after February 1 of this year, information on which such foods will be received in the schools, and whether or not they can be consumed before the end of this year;

- the extent to which there have been special problems in the purchase, shipping, and distribution of foods to schools this year; and

- the impact of the reduced supply of Government donated foods on the financial status of individual school lunch programs and on the nutritional quality of the lunches served.

Our first witness on behalf of the Department of Agriculture is Mr. Clayton Yeutter, Assistant Secretary for Marketing and Consumer Services.

We are delighted to welcome you here. Without objection, your prepared statement will be inserted in the record.

[Statement referred to follows:]

STATEMENT OF CLAYTON YEUTTER, ASSISTANT SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and Members of the Committee, we appreciate this opportunity to meet with you to discuss our Child Nutrition Program and to comment on the Chairman's Bill, H.R. 4278.

This is my first chance to testify before your Committee and I welcome the opportunity to work with you to develop better and more effective child nutrition programs. It has been just a month since I assumed my duties as an Assistant Secretary of Agriculture. One of the things that has particularly impressed me during these first 30 days is the rapid and substantial growth of USDA food assistance programs during the past four years.

In the time since President Nixon sent his hunger message to the Congress on May 6, 1969, the amount budgeted for Food and Nutrition Service Programs has increased from \$1.2 billion to \$4.1 billion. With the help of the Congress and this Committee the amount of support for the Child Nutrition Programs has increased to \$1.5 billion requested in the 1974 budget. The most dramatic expansion has occurred in cash support for free and reduced price lunches where the Federal money available has expanded 16 fold from \$42 million to \$663 million. The School Lunch Program is supported by funds from many sources—Federal Government, State and Local Government and those amounts non-needy children pay for their lunches. In the past four years Federal funding has increased from 25 to 40 percent of the total funding for the School Lunch Program.

Federally donated commodities have always been an important part of the Federal support for school lunches. Indeed at the beginning they were the largest part. Today commodities are approximately 22 percent of the Federal support provided for the National School Lunch Program.

Expenditures on commodity donations to schools have traditionally served two purposes. On the one hand, commodities have provided as much as 20 percent of the food needs of participating school lunch programs. On the other hand, careful programming of commodity purchases has helped to stabilize both farm and consumer prices.

In most cases USDA has purchased commodities which were in plentiful supply, and thereby helped producers who were threatened with prices dropping below cost of production. For example, in each of 5 months of fiscal year 1971 the price of hogs dropped below 17 cents per pound. In order to help stabilize the price of pork, USDA purchased a total of 187.1 million pounds of pork at an f.o.b. cost of \$96.8 million.

In the current year USDA has purchased some pork. However, beef and pork prices have been at much higher levels than both last year and 2 years ago. Therefore, the total USDA purchases of pork for Child Nutrition Programs have dropped to only 18 million pounds this year. In order to provide commodity donations of protein foods the Department has increased its purchases of poultry from a level of 87 million pounds two years ago to 200 million pounds so far in the current year. This changed purchase patterns is designed to minimize any adverse impact which Government purchases may have on consumer prices, including the prices schools pay for the 80 percent of their food needs which they purchase locally.

USDA food purchases for the school lunch program are made pursuant to three separate sets of legal authority. Commodities which are subject to USDA support programs, that is such commodities as milk, wheat, and peanuts, are donated to schools under Section 416 of the Agricultural Act of 1949, as amended. Commodities which are not the subject of support programs, and this would include meat, poultry, fruits and vegetables, are purchased with funds made available by Section 32 of the Act approved August 24, 1935 (49 Stat. 774). Finally there is a specific appropriation under Section 6 of the National School Lunch Act which is also used for the purchase of food.

The commodity situation during the current fiscal year is substantially different from any recent year. Very few commodities have been available in volume that would not clear the market at prices affording comparatively favorable returns to producers. Protein foods, especially meats, have been and are now at record price levels. We initiated a program to buy for school lunch needs red meats, pork and beef. Offers have not been sufficient to permit acquiring the quantities desired. Between December 26, 1972 and February 21, 1973, offers on frozen ground pork, for example, moved from 62.6 cents per pound to 80.99 cents per pound at the low range of bids received in response to offers. No beef has been purchased because of a combination of price and small quantities bid.

Fruits and vegetables have generally been in short supply, with the consequence that suppliers first respond to their normal commercial outlets before bidding on government contracts.

We are endeavoring by every means at our command to acquire needed food commodities for schools. Because of strong commercial demand, it is more difficult to make these purchases than in any recent year. There is attached a table showing, by commodities, the quantities purchased to date during fiscal year 1973 using Section 6 and a similar table showing Section 32 purchases. We are continuing to purchase chickens, turkeys, and such fruit juices, fruits and vegetables as it is possible to acquire.

H.R. 4278 would require that the Secretary of Agriculture determine by March 1, 1973, the amount of funds programed and budgeted under both Section 32 and Section 6 which will not be expended during the 1973 fiscal year for the purchase of agricultural commodities and allocate such funds among the States. At this time we think that all of the funds programed and budgeted under Section 6 and all or substantially all of the funds programed and budgeted under Section 32 will be expended.

As of February 16, 1973 Section 6 purchases totaled \$51,513,000. Those purchases are set out in the attached tables. The Section 6 appropriation for fiscal 1973 is \$64,325,000. We expect that the unexpended portion will be utilized in the next few weeks.

Section 32 purchases as of February 16, 1973 totaled \$47,278,000. Those purchases are also set out in the attached tables. The revised 1973 budget provides \$86,500,000 for Section 32 commodity purchases. We anticipate that most, if not all of the remaining Section 32 funds will be committed in the next several weeks.

In summary, we do not expect any substantial shortfall in our Section 6 or Section 32 commodity purchase accounts. Therefore, we do not believe that the enactment of H.R. 4278 is necessary.

U.S. Department of Agriculture Agricultural Marketing Service

Secs. 32 and 6 Purchases for Schools—Fiscal Year 1973

(In thousands)

<i>Commodity</i>	<i>Pounds</i>	<i>Amount</i>
Sec. 32 purchases (as of February 16, 1973) :		
Egg mix.....	245	\$201
Poultry, canned boned.....	9,096	6,566
Turkeys.....	51,590	18,519
Tomatoes, canned.....	33,188	4,950
Peaches, canned.....	36,852	5,980
Apple sauce, canned.....	17,083	2,135
Peanut butter.....	18,604	6,205
Dry beans.....	22,802	2,595
Dry peas.....	1,025	102
Lentils.....	160	25
Total sec. 32.....	190,645	47,278
Sec. 6 purchases (as of February 16, 1973) :		
Chickens.....	83,808	28,821
Ground pork.....	16,209	11,388
Peas, canned.....	1,702	238
Sweetpotatoes.....	2,208	536
Pineapple, canned.....	26,508	3,648
Fruit cocktail, canned.....	6,893	1,420
French fried potatoes.....	24,960	3,620
Corn, canned.....	14,226	1,842
Total, sec. 6.....	176,514	51,513

STATEMENT OF CLAYTON YEUTTER, ASSISTANT SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY IRVIN PETERSON, ADMINISTRATOR, CONSUMER AND MARKETING SERVICES, DEPARTMENT OF AGRICULTURE; EDWARD J. HEKMAN, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, DEPARTMENT OF AGRICULTURE; ISABELLE M. KELLEY, ASSISTANT DEPUTY ADMINISTRATOR, PROGRAM OPERATIONS, FOOD AND NUTRITION SERVICE, DEPARTMENT OF AGRICULTURE; AND PHILIP C. OLSSON, DEPUTY ASSISTANT SECRETARY, MARKETING AND CONSUMER SERVICES, DEPARTMENT OF AGRICULTURE

Mr. YEUTTER. Mr. Chairman and members of the committee, first I would like to introduce the people sitting at the table with me.

To my left is Irvin Peterson, Administrator of the Consumer and Marketing Services. Mr. Peterson's agency is responsible for the contracting of these products that are distributed to the schools.

To my right is Mr. Ed Hekman, Administrator of the Food and Nutrition Service, and his agency is responsible for the distribution process in these programs.

Mr. Chairman, would you like me to read my prepared statement?

Chairman PERKINS. Without objection, all of the prepared statements will be inserted in the record.

Go ahead and summarize your statement.

Mr. YEUTTER. All right, sir.

Mr. Chairman and members of the committee, the general summary on this particular piece of legislation is that, very much as the chairman indicated, it has been much more difficult to purchase commodities under some of these programs this fiscal year than in previous years.

I am not totally versed on this situation, since I have only been here in this capacity now for 30 days, but I am familiar with the general agricultural situation that has prevailed ever since the beginning of the fiscal year, and, of course, as you may recall, I was Administrator of the Consumer and Marketing Services, Mr. Peterson's predecessor agency, prior to January 1972. So I was involved with these programs from his standpoint at that time.

Two programs are involved here in this proposed legislation, Mr. Chairman, sections 6 and 32.

In terms of section 6, we really have no problem for this fiscal year. As you know, section 6 is not surplus removal legislation. It is simply a program which provides for the use of Federal funds for the purchase of commodities which are then distributed to the schools.

We point out in my statement that we have nearly purchased all of the commodities that are allocated under the budget in section 6 for this fiscal year. We will very soon finish the section 6 purchase programs and all funds that are allocated in the budget for section 6 will be expended. There is no question in our minds about that.

So that really is not an issue in terms of underspending the budgetary allocation.

Section 32 has been much more difficult, because it is the surplus removal purchase program, and it is somewhat difficult to purchase surpluses when there are none.

This is a magnificent thing, insofar as American agriculture is concerned. I suppose this year is the first year since I can remember, perhaps the first year in my lifetime, that there have been so few surpluses of agricultural commodities in the country.

This is reflected, obviously, in the net income situation experienced by farmers, but it is also a reflection in at least some areas of the weather situation that has prevailed in recent months.

Not all of the absence of surpluses is due to the fact that the demand has increased that much, although demand is certainly an impressive factor in this overall picture. Part of it is due, particularly in the fruit and vegetable area, to the weather situation, where we have had short crops compared to previous years.

Due to a combination of those factors, we have underspent substantially our section 32 allocations for school lunches, and, for that matter, even in the needy family program.

We are now taking a very close look at our section 32 purchase potential for the remainder of the fiscal year. We cannot tell you as of this moment what funds we will expend under section 32 between now and June 30 of 1973. But we will certainly do our best, Mr. Chairman, and Mr. Quie. We will certainly do our very best, Mr. Chairman, under the situation that exists, to attempt to purchase the allocation that has been made under section 32.

As I indicated a moment ago, it is a little too early right now to tell just what our total expenditures under section 32 will be. The supply situation on some of these products, particularly speciality

products, changes very rapidly. Likewise, the demand situation has changed rapidly, too, in products like beef and pork, for the worse in this case, rather than for the better.

But all in all, we are continually reappraising the situation. Our feeling at the moment is that, in a nutshell, first, we will expend all of the funds under section 6, and, second, we will expend a very great portion of the funds under section 32.

If we are able to do this, then this legislation will not be necessary.

Chairman PERKINS. Let me state this: that I am well aware of the problems that the farmers, the consumers, and the people in the processing business have had during the past year in connection with purchases because thousands of acres of crops could not be harvested last year.

The problem seems to be that we knew of the situation of the scarcity of these commodities and recognized the emergency that existed insofar as the administration of the school lunch program and the authorization under sections 6 and 32 were concerned, but that no extra care was taken to make these purchases. Unless we commence now and make these purchases, we are not going to get anything to these various school districts and lunch rooms throughout the country. It has to be done within the next few weeks if the schools are to benefit at all this year.

This is the purpose of the resolution: to make sure that we move now to see that these children have as much as they had a year ago. I think it is most important that we pass this resolution for this purpose.

Do you have anything you wish to say, Mr. Quie?

Mr. QUIE. Yes, Mr. Chairman.

First, Mr. Yeutter, it is good to have you here.

Mr. YEUTTER. Thank you.

Mr. QUIE. I was looking through your statement, and I ran across one figure here at the bottom of page 4: "The revised 1973 budget of \$86,500,000 for section 32." What was it before it was revised? I assume it was a higher figure before there was a revision.

Mr. YEUTTER. I will refer that to our budgetary experts here, since that precedes my time.

The revision was made before I came, but, as you know, section 32 allocations involve a number of programs, and there was some shifting done within the Department in terms of allocations under section 32.

Mr. QUIE. As I recall, it was \$8½ million higher than that in the original budget.

Mr. YEUTTER. Mr. Olsson says it was \$6 million higher.

Mr. QUIE. Does that \$6 million have any effect on the total amount? What you are figuring on is 7 cents a meal coming from commodities. What percentage of the total is that \$6 million?

Mr. YEUTTER. The total would be about 2 percent.

Mr. QUIE. That would be only about 2 percent.

Mr. YEUTTER. We have about \$300 million grand total, so however \$6 million compares to about \$300 million, yes.

Mr. QUIE. What is the percentage of section 32 funds and section 6 funds, if they are fully utilized?

You are talking about \$64,225,000 in section 6 and \$86,500,000 in section 32?

Mr. YEUTTER. That is right, which would be \$150 million out of a grand total of \$350 million.

Mr. QUIE. You have half of it here, and half of it from other programs.

Mr. YEUTTER. That is it, exactly, the primary section being section 416.

Mr. QUIE. And section 416 is the price support commodities from Commodities Credit Corporation. Is that correct?

Mr. YEUTTER. Yes, that is correct.

Mr. QUIE. Do you expect that the approximately \$150 million from section 416 will be made available?

Mr. YEUTTER. It is very doubtful that it will, Mr. Quie. In fact, we will probably have more shortfall in the 416 area than in the sections 32 and 6 areas combined.

Section 416, as you know, comes under the jurisdiction of Assistant Secretary Brunthaver and Ken Frick, Administrator of ASCS, so they would have a better judgment than I would with respect to what their purchase potential might be over the next 30 days.

We certainly will be purchasing some commodities for school lunches under 416 within the next 30 days, but what the shortfall will be, I do not know. Right now it is in the magnitude of about \$50 million.

The actual shortfall will be less than that. How much less depends on how much or what purchases are made over the next few weeks.

There should be no shortfall in section 6. There will undoubtedly be some shortfall in section 32, but we think not very much.

Mr. QUIE. If it isn't very much, I assume that it will be more expensive to distribute the money than the amount that is involved here?

Mr. YEUTTER. Very much so. And, of course, one of the concerns here, it seems to me, is that the legislation as it is now drawn makes it a one-time program. I do not know whether we are going to have ample supplies available for section 6 or section 32 purchases in a subsequent fiscal year or not, but I rather imagine that we will. This is a rather unusual year. Therefore, I would hypothesize that there would be little, if any, difficulty in expending the budgetary allocations of subsequent fiscal years.

If that be correct, then one must question the administrative wisdom of initiating a cash distribution program for this fiscal year, particularly if the shortfall under sections 6 and 32 is very small.

Mr. QUIE. Also, if we do pass this legislation and make cash payments, is there any authority in the way the language is written now to make those cash payments to nonpublic schools, who we have always treated equally with public schools in the past?

Mr. YEUTTER. No, there is not. They are not mentioned in this bill as it is presently drafted, and, of course, that certainly is a relevant factor, because we have a substantial number of nonpublic schools involved in this program, and it would be an inequity if cash distributions were made to public schools and not to nonpublic schools.

Mr. QUIE. A little bit later the National Milk Producers Federation will testify, or at least they sent a statement to us. They are going to say that section 709 is also available.

You haven't used section 709 more than once, I guess, in the past, or the Department hasn't. As far as you know, what are the possibilities of helping on the shortfall with using 709?

Mr. YEUTTER. Section 709 obviously could be used in this program, and in the needy families program, if we chose to do so.

My personal judgment at this point is that it would be unwise to use that authority in this particular case, because it would simply accelerate the price pressures that are already in existence on some of the dairy products that could be purchased under the program.

For example, we are very short nationwide at the moment in nonfat dry milk. We have even had imports of nonfat dry milk recently.

If we were to use section 709 to purchase that milk, it would simply add to the demand pressure for that product.

So it seems to me that in looking at the total purchase potential, the total range of commodities available under which purchases might be made, that 709 would be a rather low priority possibility, at least for the moment.

Mr. QUIE. In 709, you are not limited to the commodities that are price supported, butter and cheddar cheese and powdered milk. You could take any manufactured milk product.

Mr. YEUTTER. That is very true. It is limited to dairy products, as you know, but not to any specific dairy products. However, we have the same price pressures available in cheese as we do in nonfat dry milk. And to the best of my knowledge, we have ample commodities available already of butter, which would be the other major possibility under section 709.

Mr. QUIE. To what extent do you think the schools look at the budgeted amount for commodity distribution? At what level have commodities been made available in the past for the school lunch program?

Mr. YEUTTER. Taking the latter question first, Mr. Quie, I assume that we can provide you very quickly the levels of support that existed in the past.

Mr. Chairman, you asked for those, also, in your opening statement. We shall do so. I am not at all sure we have that information available today, or if we do, for how many years it goes back, but that can be readily provided to you.

[The information requested follows:]

From 1970 through 1972, the value of the donated foods procured for use in school food service programs was as follows:

Fiscal year:	Millions
1970 -----	\$276.2
1971 -----	262.0
1972 -----	284.0

With respect to the first part of your question, Mr. Quie, it seems to me that is very relevant, and is a policy question of importance to the committee as well as to the Administration or the entities that are administering the program.

That is, what is the obligation of the Federal Government, either legally or morally; perhaps a better term than moral would be the administrative or managerial responsibility in this total program—to provide a given amount of support in commodities for the schools.

Obviously, the greater assurance a school system has, the more desirable its particular situation is. If the school can have a guaranteed sum in either commodities or cash, that certainly is preferable to not having a guaranteed sum, from their standpoint.

From the standpoint of the Federal Government, it is a much more difficult question, it seems to me, in that we are already making substantial contributions to the school systems of this country under this program. We are making guaranteed contributions in cash and other aspects of the child nutrition legislation.

The philosophical question and policy question becomes: Do we now wish to supplement or amplify the guarantees that are already extant in the program by providing some additional guarantees over the commodity distribution side?

That particularly becomes significant when one recognizes that the contributions in commodities have traditionally been made under both sections 6 and 32.

I can't answer your question, Mr. Quie, as to whether or not the schools recognize that section 32 is a surplus removal program and not a guaranteed supply program, in contrast to section 6.

Section 6, as you well know, is essentially a guaranteed supply program, because purchases are not dependent upon the existence of surpluses which are to be removed from the market.

Section 32, which has been around longer than section 6, and which has traditionally been the mainstay of commodity distribution, is a surplus removal program.

The schools of this Nation ought to know, if they do not now know, that there is no guarantee that they will receive x number of dollars in support under section 32 in any given year.

That means that there is some obligation on their part to achieve within their own budgets the flexibility that is essential to adjust if and when 32 distributions are less than what has been initially budgeted in a particular fiscal year.

The question is: Shall the Federal Government provide them a guaranteed assurance of x number of dollars worth of commodities, or shall the schools build into their own systems, and the States build into their systems, the flexibility to adjust and to react accordingly if the budget distributions are not made exactly as predicted?

Mr. QUIE. Thank you.

Chairman PERKINS. We all agree that you had more difficulty this year than ever before with your purchases. Isn't that true?

Mr. YEUTTER. In connection with section 32 purchases, yes.

Chairman PERKINS. And section 6 likewise?

Mr. YEUTTER. We will not have any difficulty in meeting the purchases equivalent to the budget item in section 6.

In terms of timing of purchases, this may be true.

Chairman PERKINS. I think all of us recognize that section 32 is a surplus removal program. In the past schools have been able to take advantage of surplus commodities to a great degree. It is true that all of these commodities are not available under section 32 today and that you haven't been able to buy foods in sufficient quantities so far this year. And, I cannot foresee that this situation will change. Therefore don't you feel that we should give the school lunch program and the children throughout the country as much support as we gave them last year?

And, since we can't get the commodities now, why shouldn't we transfer cash to the local districts for this purpose?

The purpose of this legislation is to feed these schoolchildren, to guarantee that they have as much as they had last year, and let the local school districts make the purchases to feed them. What is the objection to that?

Mr. YEUTTER. Well, it seems to me, Mr. Chairman, that the principal objection is that we do not yet know whether there will be a shortfall.

Chairman PERKINS. Well, you have already stated that, in your judgment, with all of these problems a shortfall will occur. The only way, then, that we are going to feed these children is to make some cash available to the local school districts to guarantee that they get the same amount of food that they received the past year.

Am I correct in that statement?

Mr. YEUTTER. Well, the answer would still have to be that it is premature to make that determination at this point. Thirty days from now, we will know whether or not there will be a shortfall.

Chairman PERKINS. But 30 days from now it may be too late to get anything to the local school district. That is the problem.

Mr. YEUTTER. In terms of our commodities, 30 days would be about the maximum in which we could continue to make purchases.

At that time, if this issue were to arise, there would still be ample time for cash distribution to be made, if it be the wisdom of Congress to do it.

Chairman PERKINS. Even though you are buying them within the next month, how would it be possible to get them distributed to the local school districts during this school year?

Mr. YEUTTER. This will vary from commodity to commodity, of course, Mr. Chairman.

Chairman PERKINS. Don't you feel that it is better to give the local school districts a guarantee, and not to cut back on the school lunches for these needy schoolchildren?

Mr. YEUTTER. No, sir; I would prefer that we not give a guarantee so long as we feel that there is some possibility of providing the commodities under the budget.

Chairman PERKINS. But, from your experience and judging from the past several months, this is not going to materialize. Am I correct in this statement?

Mr. YEUTTER. We do not know yet whether it will materialize, Mr. Chairman.

Chairman PERKINS. Well, it hasn't up to now, has it?

Mr. YEUTTER. No, sir; but the fiscal year is not yet over, either.

Chairman PERKINS. I know that, but commodities and food supplies are not as abundant now as they were in the fall.

Mr. YEUTTER. In many cases, that is true.

Chairman PERKINS. So, there is only one way to make sure these schoolchildren have the necessary foods and that is the way the resolution provides.

Mr. YEUTTER. We wouldn't share that opinion, Mr. Chairman, first because we would consider that judgment to be somewhat premature, but beyond that, it is a precedent that ought to be established with great care. If the legislation, for example, were to pass as it is now written, with this determination being made on March 1 of this year,

it is conceivable to me that we could well make substantial surplus removal purchases or section 6 purchases subsequent to March 1 in many years, including this one.

Chairman PERKINS. Mr. Peyser.

Mr. PEYSER. I want to get clear in my mind the question on the school lunch situation resulting from the difference in amount of food that the districts have received this past year.

Is it the Department's feeling and understanding that there is actually less food—in other words, are school lunches being actively affected by this decrease in commodities that have been received, or are lunches being served?

What is actually happening?

Mr. YEUTTER. Just having arrived, sir, I am not personally familiar with that, but I would be glad to refer it to Mr. Hekman or Miss Kelley.

Mr. HEKMAN. The school lunch has to meet a departmental determination as to adequacy—that is, the type A lunch pattern.

I think our records and our monitoring show that the lunches are meeting the pattern.

Mr. PEYSER. What I am getting at is that it appears from a good deal of testimony that there is less food being provided to the school systems under the program than had been anticipated.

I am trying to find out, in the realities, what this means. Are schools serving lunches that are either smaller or fewer, in number; what is happening?

Mr. YEUTTER. What it means is that they use a combination of funds to purchase the food that is essential for the lunches. So if commodities are coming in, as they have during the first 6 months of this year, from us at a lower rate than usual, then it is necessary for them to make up the difference from other sources.

If we then accelerate our purchases for the last portion of the year, so that they average out annually in accordance with the budget, then they would use less funds in the second half of the year.

Mr. PEYSER. I agree. That is what I was wondering.

When we get down to the actual case, it all depends on our ability from the Federal Government to catch up in this last period of time.

Are you saying from your testimony with Chairman Perkins that you feel that this realistically will take place. If you were projecting today, based on the information you have, would you say that the shortage will be met or made up before the end of the school year?

Mr. YEUTTER. Sir, we can't guarantee that, because we do not yet know with respect to section 32.

We do know there will be no shortage with respect to section 6 funds. That amounts to about \$64 million.

The section 32 budget is about \$86 million, and we just do not know. We will know better in 3 or 4 weeks. We will know precisely then.

Mr. PEYSER. If it turns out 3 or 4 weeks from now that you see that there is going to be a shortage in the commodities, without any question you will be able to determine it at that point, then what is the

proposed course of Government action? What would happen at that point?

Mr. YEUTTER. Well, we would still contend, sir, at that point, that even if there is a shortage, that, (1) the shortage will not be a major one, and (2) that since it will not be a major shortage in terms of dollars, that the school systems around the country should be able to adjust to that shortage within their own means.

Mr. PEYSER. Doesn't that come under their own budget operation?

Mr. YEUTTER. Yes.

Mr. PEYSER. What I would suggest, knowing some of the school budget situations in some of the areas I am familiar with, is that any taxing of those budgets beyond what they are right now would be impossible.

If we come up to the end of the month, as you say, where you might find that you don't have sufficient commodities to make up this difference, you are then saying that you still feel the schools should somehow try to work it out on their own, even though we have not fulfilled what has been the basic commitment that we have made.

That does not seem very equitable to me for the school districts or the children's lunch program keeping in the way Congress had enacted it.

Mr. YEUTTER. Our contention would be that this is not a commitment on the part of the Federal Government, because section 32 funds are involved, that by their very nature they do not provide a definite commitment, and the schools should understand this.

If there is a shortfall, then it seems to me that becomes a question of priority for the school in their expenditure of funds, and if the school lunch program bears a higher priority than some of their other programs, then they can be prepared to fund—

Mr. PEYSER. But if they can't count on this as an item, they are faced with a problem at the beginning of the year of trying to determine how much local moneys they are going to have to provide to make the lunch program work.

I think that is a very difficult way of asking a school district or a program to operate.

Mr. YEUTTER. They have operated under that section for many, many years.

Mr. PEYSER. But it has had the problems we are talking about right now, and trying to find a solution to them. I appreciate that.

That is all I have, Mr. Chairman.

Mr. YEUTTER. Generally speaking, it has not been a major problem, because we not only in previous years have had no shortfall in section 32, we have been looking for ways to move section 32 commodities into school lunches, needy families, or anywhere else we had other alternatives, because we have had overproduction of agricultural products.

As we indicated earlier, this is a unique year. It is unlikely that we will experience this kind of year in a long period of time.

Notwithstanding it being a unique year, we still feel reasonably confident about our possibilities of coming relatively close.

If we do come relatively close, if there is little shortfall, then it wouldn't be an especially painful experience for the schools in adjusting, because there are many, many schools to share whatever shortfall there is.

Chairman PERKINS. Mr. Meeds.

Mr. MEEDS. Thank you, Mr. Chairman.

Aren't you really telling us, Mr. Yeutter, that because of the different situation which we have this year, without the surpluses which we generally have, and the kinds of programs to which the school lunch program was pegged, that we are really not going to make up; there is no way we are going to make up, is there, really?

Mr. YEUTTER. We do not yet know that, Mr. Meeds. I will tell you precisely in 30 days.

Mr. MEEDS. Mr. Butz is out telling the farmers that there aren't going to be any surpluses, that they are going to be able to sell all of their commodities, and they are going to get a good price for them. And you are telling us that you don't know whether there will be these surpluses available.

Mr. YEUTTER. He is talking about agricultural policy in general, and primarily about crops such as the price-supported crops, and those are not the major ones which are used in this program.

Mr. MEEDS. How long does it take, once you have made arrangements, or contracted for foods, to get them into the local school districts?

Mr. YEUTTER. It varies a great deal by commodity.

Mr. MEEDS. Will you tell us about how it varies, and how long it takes the various commodities?

Mr. YEUTTER. I think I will refer this to Mr. Peterson, since he deals directly in it on a day-to-day basis, but it is an obvious differential involving what process is involved with the commodity, and so on, and that varies greatly.

Mr. MEEDS. Will you enlighten us about that?

Mr. PETERSON. I will as far as I can, Mr. Meeds.

We go out requesting an offer today. There is 1 week that passes within which we receive offers, and then the placing of bids, or placing of orders.

Those purchases are made by the CCC commodity office at Minneapolis. From the time we announce a request for offer, there are about at least 10 days before a contract is actually executed. Then, as Assistant Secretary Yeutter has said, if the commodity is beans, for example, the shipment usually will take place within a week or 10 days, depending upon the supplier and the location.

If it is fresh frozen ground pork, it will take closer to 3 weeks or 3½ weeks before that shipment actually takes place.

So I would say to you from the time of going out for an offer, for a product, the time will be from 2½ to 5½ weeks before delivery can be effectuated.

Mr. MEEDS. Delivery to where?

Mr. PETERSON. To the schools directly, or to the State system.

Mr. MEEDS. To the warehouse, don't you mean?

Mr. PETERSON. Some States take direct delivery. Others have a warehouse system, as I understand it, and Mr. Hekman can answer directly to this.

In some of the Southern States, delivery is made to a central point, and the schools have their own transportation and take it directly off the car.

Others, delivery is made to State warehousing systems, and distribution is made through the State warehousing system.

Mr. MEEDS. It seems to me, Mr. Chairman, we had testimony last year from one of the school lunch people that it took up to 5 months sometimes to get this, once the purchase has been arranged.

Mr. PETERSON. That could have happened, Mr. Meeds, but that would only happen in those cases where the purveyor failed to make delivery in the time allotted under the terms of the contract.

That does happen. We have purveyors who do not deliver timely under the terms of the contract, and there is a liquidated damages provision in the contracts to take care of that situation.

Mr. MEEDS. What percent of your purchases, if you know, would be delivered to the local school districts, just as an average? And I know there are exceptions to all of these things.

On an average, what percent of your purchases would be delivered within 3 months of the initiating of the contract?

Mr. PETERSON. I would have to get the records to supply that accurately, Mr. Meeds.

Mr. HEKMAN may have an estimate on that. I do not.

Mr. YEUTTER. Mr. HEKMAN is in charge of food distribution service.

Mr. HEKMAN. If you will permit, Mr. Meeds, I will try to answer—looking at it from the delivery point.

We feel that, nationwide, a shipment made after April 1 would take about 6 weeks, from the date of shipment from a plant. The date from there, back to the placing of the order, would vary. But the date of shipment, the national average, is about 6 weeks from the plant to the point of use.

Mr. MEEDS. Date of shipment?

Mr. HEKMAN. From a plant.

Mr. MEEDS. We just heard you could have up to 5 weeks before that time. Is that right?

Mr. HEKMAN. That is rather unusual.

Mr. MEEDS. So we are now talking about 11 weeks, almost 3 months. Right?

Mr. HEKMAN. No.

Mr. MEEDS. Maybe you ought to try to answer my question. Let's keep it in my frame of reference, then.

How long, on an average, from the time of arranging for the contract to the delivery in the local school systems of these commodities? Just a horseback estimate of that time period.

Mr. HEKMAN. I have given our section of the program, and Mr. Peterson would have to give us his figure.

Mr. YEUTTER. It seems to me your figure of 3 months grand total is reasonable.

Mr. MEEDS. And that is an average? It could run less than that, or more.

Mr. PETERSON. I think, Mr. Meeds, we ought to look at contracts for that.

Let's take two points, here, one at the time we announce a request for bids for a particular commodity, we go out with a public offer to receive bids, the other from the time of placement of the contract by the commodity office in Minneapolis, the purchasing agent for the Government in this case.

From the time that we announce by press release a request for offer until the discussion of the contract by the commodity office would be from 2 to 2½ weeks.

Then Mr. Hekman has testified from the time of the discussion of the contract, well, until delivery time, that is something else again.

Mr. MEEDS. That is 6 weeks.

Mr. PETERSON. He has said from the time of delivery to consumption in the school is 6 weeks. There is another interval there.

I would say your estimate of 2 months to 2½ months in some cases is not at all unreasonable.

Mr. MEEDS. And 3 months in some instances?

Mr. PETERSON. In some extreme cases, yes.

Mr. MEEDS. So if you were to make these substantial purchases that you testified, Mr. Yeutter, previously, could be done after March 1, it might well be that the foods get there after the kids have gone home for summer vacation. Right?

Mr. YEUTTER. Surely, but let's put the total situation in perspective.

Mr. MEEDS. It looks like it is in perspective, to me. Do you have some disagreement with that statement?

Mr. YEUTTER. Yes; because, you see, we are in various stages of offers and processing at all times in these programs.

So the situation you have posited is one in which we would start from scratch, but at a given point in time we are in various stages of asking for offers, receiving them, and evaluating them.

Mr. MEEDS. And you are \$121 million at this time of year behind what you were at this time last year. Right?

Mr. YEUTTER. No, sir; I don't believe those figures are correct.

Mr. MEEDS. These are the figures I have.

You have committed at this time, as of January 31, \$185 million. You have a balance of \$121.7 million. And as of that time in previous years you had entered most of your contract authority.

Mr. YEUTTER. I don't have the January 31 figures, Mr. Meeds. I was quoting from the February 16 figures in my statement, which are different from yours.

Mr. MEEDS. Where are you on February 16 compared to where you were on February 16 last year?

Mr. YEUTTER. Taking section 6 from page 4 of my statement, as of February 16, we had purchased about \$51 million worth out of \$64 million. So there was a shortfall in section 6 of about \$13 million. That will entirely be utilized.

Mr. MEEDS. And can be?

Mr. YEUTTER. Yes.

Mr. MEEDS. It is in the next two, sections 32 and 416, where we get in trouble?

Mr. YEUTTER. Exactly. Section 416 is not involved in this proposed legislation in any way, but it is certainly a relevant factor.

In section 32, which is the other one that is involved in this proposed legislation, you will notice we purchased about \$47 million plus, as compared to a budget of \$86½ million.

Mr. MEEDS. Less than half, or about half.

Mr. YEUTTER. We were \$39 million short there.

As I indicated, that is a more difficult one, and we don't know whether we are going to purchase all of those \$39 million worth. We are going to do the best we can under the situation that exists, and as I said, there may be some shortfall in section 32. In our judgment, it will not be a very significant shortfall, but there may be some.

Section 416 is a different matter entirely. That is not before you, but we can discuss section 416 if you wish.

Mr. MEEDS. In terms of the overall program, the chances of there being a surplus of commodities are very slender, there, in section 416?

Mr. YEUTTER. I am not as familiar with section 416 as the others, because commodities programs are not under my jurisdiction, but there will certainly be some section 416 purchases in the next 2 or 3 weeks. How many, I have no idea.

Among those that will be purchased under section 416, Mr. Meeds, Mr. Peterson points out will be products like butter, flour, peanut butter, rice, shortening, and salad oil.

Those that are in short supply are products such as nonfat dry milk and cheese.

Mr. MEEDS. Which can't be purchased now under that?

Mr. YEUTTER. Not at the moment.

Mr. MEEDS. So the only effective way to get those commodities that are in short supply and are utilized by the districts would be as the chairman proposed, and that is to make the money available to local school districts and let them buy them.

Mr. YEUTTER. That would have broad ramifications with respect to section 416, obviously. I do not know whether this committee wishes to explore all of those ramifications or not. But that is obviously a more difficult and complex situation than sections 32 and 6, because section 416 gets into price-support programs and that is a very complex issue.

Mr. QUIE. Will the gentleman yield?

Mr. MEEDS. I will be happy to yield.

Mr. QUIE. For the record, how much does 1 cent per meal cost?

Mr. YEUTTER. About \$40 million, in round numbers.

Mr. QUIE. So you are right about within 1 cent a meal right now?

Mr. YEUTTER. That is about correct, yes.

Chairman PERKINS. For the record, will you cover the questions that I propounded at the end of my statement by taking out of the various statements that you gentlemen have prepared the amount of funds expended under all sections for school lunch purposes during the past fiscal year as contrasted with the present fiscal year? Put them into two columns and by sections so everybody can see how short we are.

Mr. YEUTTER. Certainly. We will be pleased to do so, Mr. Chairman.

[The information referred to follows:]

Commodity procurements for schools: The value of commodities procured through February 16 of the fiscal years 1972 and 1973

	(In millions of dollars)	
Value of commodities		
programed for year:	1972	1973
Sec. 6 -----	63.3	64.3
Sec. 32 -----	109.4	86.5
Sec. 416 -----	111.3	156.8
Total -----	284.0	307.6
Procured through February 16:		
Sec. 6 -----	63.3	51.5
Sec. 32 -----	98.1	47.3
Sec. 416 -----	83.9	106.3
Total -----	245.3	205.1
Percent of annual program		
procured through February 16:		
Sec. 6 -----	100.0	80.1
Sec. 32 -----	89.7	54.7
Sec. 416 -----	75.4	67.8
Total -----	86.4	66.7

Mr. MEEDS. Thank you.

Chairman PERKINS. Thank you very much for your appearance here today.

Excuse me, Mr. Lehman.

Mr. LEHMAN. Everything has been covered.

Thank you, Mr. Chairman.

Chairman PERKINS. Our next witness is Mr. Vern Carpenter, director of the Iowa Food Service, representing American School Food Service Association.

Come around, Mr. Carpenter.

I want to read a letter from Congressman Alphonzo Bell which says:

I am writing with respect to the hearing on amendment of the National School Lunch Act, conducted this afternoon. In attempting to obtain a copy of the testimony to be presented by witnesses representing the Department of Agriculture, I learned that the Department had failed to submit advance copies of their testimony in violation of the committee's rules, which provide that all witnesses must submit such copies 24 hours in advance of that appearance before the committee.

I believe it would be appropriate if you would remind the administration witnesses of this rule and of the committee's resolve to enforce its rules strictly.

Mr. QUIE. The administration witnesses have left now. Perhaps we would remind Al Bell that it would be well if he sent the letter to them.

Chairman PERKINS. Well, the letter is included in the record.

Go ahead, Mr. Carpenter.

[Prepared statements of Vern Carpenter and Lee Searing follow:]

STATEMENT OF VERN CARPENTER, CHIEF, SCHOOL FOOD SERVICES SECTION, IOWA DEPARTMENT OF PUBLIC INSTRUCTION, DES MOINES, IOWA, ON BEHALF OF THE AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

My name is Vern Carpenter and I am the State School Lunch Director for the Iowa Department of Public Instruction. I am here today on behalf of the American School Food Service Association and the 50 State School Lunch Directors.

I ask that my written statement, which contains a few attachments, be entered into the record because of the input of several other State Directors, school administrators, and school food service personnel.

I wish to thank the Committee for the opportunity to testify regarding H.R. 4278.

As a state director and member of the legislative committee of the American School Food Service Association I also wish to thank this Committee for the leadership and support you have given child nutrition programs.

I especially note the progress made during the past four years. Without your leadership to enact legislation specifying minimum levels for lunch reimbursement, I hesitate to think where school food service programs would be today in view of impoundments and cutbacks.

Charts are attached to my written report to support the contention that we states are receiving far less government commodities this year when compared to last year. I hasten to concur with several statements that could be made in rebuttal which would allege that there are several imperfections in these figures. They are the best that can be obtained on short notice but nevertheless show a comparison between this year's commodity value and last year's. We have asked the USDA for clarification on certain points.

In summary, commodities received per meal are:

State	Fiscal year 1972	July 1, 1972 through Jan. 31, 1973	Percent less
Iowa.....	\$0.098	\$0.0546	44
Minnesota.....	.1031	.0429	58
Missouri.....	.0925	.0432	53
North Dakota.....	.09	.0254	71
Ohio.....	.052	.02	61
South Dakota.....	.1033	.054	47
Wisconsin.....	.0973	.0451	53
Illinois.....	.0660	.0311	53
Indiana.....	(¹)		
Michigan.....	.0923	.0543	41
Nebraska.....	(¹)		

¹ Not available.

On February 5, 1973, Miss Josephine Martin, State School Lunch Director from Georgia, testified before the U.S. Senate Agriculture and Forestry Committee that commodities received in Georgia were 37 percent less in dollar value through November when compared to the same period a year ago.

It should be pointed out that most states do not use the same dollar value for commodities that the USDA uses, and probably we state directors should obtain the USDA's commodity dollar value for the sake of uniformity.

These figures presented herein, in my opinion, give a slight edge to the USDA because most states use a wholesale dollar value obtained locally which reflects transportation costs and certain other expenses. Another factor is that whole sale food prices are up this year compared to last year so each dollar's worth this year buys fewer pounds.

Without getting hung up on methods of computation it can be seen that states have not received this year the dollar amount of commodities received last year despite increase in commodity prices.

I assure the Committee that I am not here today to say that Iowa's situation is different from any other state—it is not. I believe the Committee understands the problem. These facts and this information are presented for your thoughtful consideration.

Before proceeding further, let us briefly review the government commodity picture. My purpose is not to present an exhaustive study of the history of commodities nor to discuss each commodity item.

I lived through the 1930's, the depression years, as I am sure many of you did. As a boy I vividly recall riding standing up in a horse-drawn bobsled 9 miles one cold winter day with a farm boy taking a load of hogs to market in a nearby town. I can't recall the price per pound but the total check for the load of hogs was around \$11.

Milk was dumped onto the streets. It was said that kerosene was poured over huge mounds of potatoes to make them unfit for human consumption and there-

fore not glut the market. And so on. The Congress responded and took action to relieve the farmer's plight.

The Congress enacted Section 32 of the Agricultural Act to purchase commodities under a surplus-removal program for use in school lunch programs—a wise and logical use. Also Section 416, to acquire foods under price-support operations. Later, Section 709 to purchase dairy products on the open market.

Hasn't the farm commodity picture changed?

As I understood it, during the last session of the Congress, it was the intent of the Congress that schools this year would be reimbursed 8 cents in cash for each lunch served children plus about 7-cents' worth of commodities based on the USDA's method of computation. This totals 15 cents.

Fortunately for the nation's school children, the Congress specified 8 cents in cash. Frankly, some of us have been concerned that this 8 cents' reimbursement might be cut back. So far it hasn't been. But we haven't received 7-cents' worth of commodities and the prospects look bleak. The USDA estimates their commodity expenditures for fiscal year 1973 to be \$6.055 million below the \$313.7 appropriated by the Congress.

During the past fiscal year, reimbursement was 6 cents per lunch plus 7-cents' worth of commodities for a total of 13 cents.

If commodities are cut back far enough this fiscal year, the intent of the Congress will be circumvented and we States will receive 8-cents' reimbursement plus about 4-cents' worth of commodities for a total of 12 cents. This would be a loss of possibly 3 cents per lunch. Our lunch programs cannot sustain such a loss. School children will be the losers.

In fairness to the USDA, the USDA has asked for bids on cheese, ground beef, and certain other commodities. It is said that when the USDA requests bids for fresh frozen ground beef the price of beef jumps approximately 3 cents a pound on the market. This assumption, if true, has many implications for consumers, particularly the housewife consumer. We also have the possibility that certain daily limits on the commodity board of trade will be raised or lifted completely.

I understand, however, that the USDA is considering the purchase of frozen french-fried chicken. This probably is more costly than the fresh frozen cut-up chicken especially when our schools already have the labor on board to cook and prepare all chicken they will receive. Being more costly, the purchase will deplete the USDA's commodity balance faster.

Shouldn't we be considering the possibility that the USDA will not be able to supply 7-cents' worth of commodities this year, nor next year for that matter. The same could apply to succeeding years.

Also, shouldn't consideration be given to changing the rate of reimbursement for fiscal year 1974 to 15 cents cash per lunch plus whatever surplus commodities and price-support commodities the USDA might be able to furnish under Section 32 and 416? Then we would not have to rely on the USDA to furnish a full 7-cents' worth of commodities. More likely it would be about 2-cents' worth.

This could be 8 cents cash under Section 4 plus 7 cents cash under Section 32. Since the USDA assures that their budget for FY 1974 contains sufficient dollars to provide 7-cents' worth of commodities, this should be only a switch between line items within their budget and *not* a budget increase.

Let us return to the immediate problem we face.

We are committed to "end hunger for all time."

In Iowa we started 8 or 10 years ago to get a lunch program started in every public school building. Presently, we have a lunch program in 99% of our schools. State law enacted last year makes it mandatory that every public school have a lunch program by the fall of 1973. Our State Legislature, however, imposed certain restrictions on school district spending.

With the present depressed financial situation of school lunch funds caused largely by the lack of receipt of government commodities, I ask the question: "What are we to say to schools boards and school administrators whom we are urging to start new programs?" We cannot misrepresent facts and tell them the lunch program will be self-supporting, because it probably will not be.

We State Directors are receiving telephone calls from school superintendents asking when they will be receiving ground beef. School administrators are asking for approval to raise the price of student lunches. They don't have money on hand in their cash balance to pay their bills and ask where we suggest they get the money. Some will have to borrow and pay interest.

Because of receiving fewer commodities, schools have had to purchase more food causing more cash outgo. Food costs are up. These two factors cause cash balances to be lower. More school lunch funds are operating with deficit balances.

Typically, cash balances are lower at this time of year but, typically, with the receipt of commodity meats during the second semester these cash balances usually build back up to their former levels.

I feel certain your Committee does not wish to take time during this hearing for a long discussion on philosophy, however, most people think of the school lunch program as a federal program. Many refer to it or write about it as the federal school lunch program. They believe the school lunch program was instigated by the federal government and that it is largely financed by the federal government. Both assumptions are historically correct.

The school lunch program is not perfect but we keep trying to improve. Nevertheless, millions of school children have directly benefitted because they have eaten wholesome, nutritious food. The USDA has done an outstanding job through fiscal and audit controls of assuring that federal funds appropriated for food have been spent for food. This is quite an accomplishment in itself.

We urge quick passage of the H.R. 4278. We are well into the second semester and many schools will be closing after the middle of May. It is late in the school year for the USDA to offer to buy, take bids, deliver commodities to States, and for States to deliver these commodities to schools. Holding commodities over during summer months results in increased storage costs.

At this time State School Lunch Directors are meeting with their State Legislatures to obtain state tax appropriated funds to meet state matching requirements. If funds are distributed under H.R. 4278, rather than commodities, they should be distributed under Section 32 rather than under Section 4. Under Section 4, more state matching funds would be required after State Legislatures had acted on state appropriations. We urge that these funds be distributed under Section 32 and the Bill contain the statement that no state matching funds will be required. If not so specified, legal counsel may interpret it otherwise.

If H.R. 4278 is enacted, the entire \$313.7 million appropriated for commodities for fiscal year 1973 should be expended. Hopefully, this law will be clear on this point.

What may be the results if H.R. 4278 does not pass nor if the USDA does not supply commodities at the 7-cent level?

Some school lunch programs may be forced to discontinue. Unfortunately, some of these may be serving economically needy children. Equally undesirable, many new programs may not get started which could affect many needy children.

I questioned whether to mention this last possible result but believe it a distinct possibility. Schools that are pinched financially may serve less food—less than that required to meet requirements. Schools may react the same way many people react during hard times—they cut down on food. It becomes a matter of priorities.

The question before us is what The President and the Congress are going to do about food for our nation's school children. Whatever is done needs to be done quickly. We rely on your judgment.

²Thank you. I will be happy to answer any questions.

COMPARISON—CHILDREN AND ADULT LUNCHES¹

	School year 1971-72	School period July 12 to Dec. 1972	Cents increase or decrease	Percent increase or decrease
	(Cents)	(Cents)		
Food.....	24.14	26.42	+2.28	+9.44
Labor.....	17.25	² 16.79	-.46	-2.67
Other.....	3.59	3.93	+33.	+9.19
Total.....	44.98	47.13	+2.15	+4.78
Noncash expenditures.....	10.69	12.64	+1.95	+18.24
Total.....	55.67	59.77	+4.10	+7.36

¹ The value of government commodities is not included.

² Some labor costs are paid from school district general funds and later repaid by the lunch fund.

FEDERAL AND STATE REIMBURSEMENT (IOWA)¹

	Federal	State
Type A lunch.....	\$0.08	\$0.0036 = \$0.0836
Free lunch.....	.48	.0217 = .5017
Reduced-price lunch.....	.28	.0127 = .2927
¹ Cost and reimbursement:		
Cost of preparing and serving a free lunch.....		\$0.5977
Total Federal and State reimbursement.....		.5017
Loss per free lunch.....		-.0960

GOVERNMENT COMMODITIES RECEIVED IN IOWA

1971-72 SCHOOL YEAR—\$7,510,777

(USDA figure of cents equals Iowa's figure of 9.78 cents commodities per lunch)

Period	Period	Decrease	Percent decrease
July 1, 1971 to Oct. 31, 1971:	July 1, 1972 to Oct. 31, 1972:		
\$3,505,622	\$3,034,336	—\$471,286	—13.44
July 1, 1971 to Nov. 31, 1971:	July 1, 1972 to Nov. 31, 1972:		
\$4,258,006	\$3,190,405	—1,067,601	—25.07
July 1, 1971 to Dec. 31, 1971:	July 1, 1972 to Dec. 31, 1972:		
\$4,983,815	\$3,713,576	—1,270,239	—25.49
July 1, 1971 to Jan. 31, 1972:	July 1, 1972 to Jan. 31, 1973:		
\$6,626,257	\$4,404,594	—2,221,663	—33.53
July 1, 1971 to Feb. 23, 1972:	July 1, 1972 to Feb. 20, 1973:		
\$7,244,747	\$4,741,013	—2,503,734	—34.56

Summary for Iowa: 1971-72: 9.78 cents per lunch; July 1, 1972 through Feb. 23, 1973, only 5.79 cents per lunch.

Notes:

Food prices are higher during this current school year.

In Iowa more school children are participating in the lunch program this school year so the few commodities we have received have been spread even thinner.

NUMBER OF MONTH'S CASH BALANCE ON HAND IN IOWA'S SCHOOL LUNCH PROGRAMS

Year	Total districts	Percent having 2 month's or more	Percent having 1 month or more	Percent having 0 to 1 month	Percent having deficit
1968-69.....	466	4.29	23.61	57.51	14.59
1969-70.....	477	4.61	20.34	60.17	14.88
1970-71.....	473	4.65	13.95	56.03	25.37
1971-72.....	465	10.97	28.82	57.84	2.37
July 1, 1972 through Dec. 31, 1972 (corrected).....	466	6.00	30.69	49.79	13.52

Notes: Effective Dec. 31, 1972, 63 percent of Iowa's public school districts had a cash balance in their lunch fund equal to less than 1 month's operating costs. 13.52 percent showed a deficit balance.

GOVERNMENT COMMODITIES RECEIVED BY 11 STATES

State	Fiscal year 1972	July 1, 1972, through Jan. 31, 1973
Iowa.....	\$6,626,257	\$4,404,594
Minnesota.....	10,626,205	4,961,508
Missouri.....	9,227,047	4,466,750
North Dakota.....	1,585,140	443,180
Ohio.....	9,477,945	3,725,807
South Dakota.....	1,727,588	1,112,994
Wisconsin.....	8,239,106	4,039,350
Illinois.....	11,072,289	5,536,145
Indiana.....	(1)	
Michigan.....	10,887,213	3,143,247
Nebraska.....	(1)	

¹ Ohio: July 1, 1972 through Dec. 1972.

STATEMENT OF O. L. SEARING DIRECTOR, SCHOOL FOOD SERVICE DEPARTMENT FOR
THE SCHOOL BOARD OF BROWARD COUNTY, FLA.

Mr. Chairman and Members of the Committee, funding plays a most significant role in the operation of the School Food Service Program at the district level. This perhaps is due in a large part to the "success" connotation that black figures have in the eyes of the Board, the Superintendent, the school administrator and the lay public alike.

Too often, such important considerations as the nutritional needs and welfare of the student, the number of meals per labor hour achieved by the school, whether or not the sale of "junk" foods is permitted, and student involvement in nutrition education are not equated with a "break even" school food service operation.

Since this is the case, it has long been my view that somehow we must achieve reasonably uniform and adequate funding nationwide for school food service programs which do in fact meet prescribed high standards of program performance. The concern must be for total funding from all sources since the operating balance at any given moment is the net result of the relative amount of funding from all sources and the efficiency of the operation. Districts and states both differ greatly in the per lunch financial contribution which they make to the program. Therefore, because of a very close operation financially in school food service, any level of government which provides revenue easily controls the financial success or failure of the program.

To achieve this goal, we must have full compliance with like standards. We should not put dollars into programs which do not meet nutritional standards, which do not achieve acceptable levels of productivity and which fail to adopt the latest proven practices to improve their programs.

In my view then, the funding of the program is more than just the USDA commodity problem which we currently face. There should be a balance of funding from federal, State and local sources which provides a minimum base level of operation for all who do in fact meet program minimum standards. We should not have to go to the Congress, the State Legislature, and the School Board each year to beg for adequate funding. There should be an automatic true cost of operation increase index which is provided in funding the program each year. At this juncture, it would appear that the Federal government and the State would have to assume more financial responsibility for the program because of severe financial problems at the district level. This situation is particularly acute with the major urban school boards. Perhaps consideration should be given to a cost of living differential to compensate for higher costs in the urban areas. The State of Florida has already done this for other areas of education. Uniform accounting and reporting would be an absolute prerequisite to the function of such a plan.

In looking at the USDA commodity problem this year (and I know every school food service director in the Nation has many times) it is immediately apparent that a serious financial situation exists which has been with us all year long.

The attached Exhibits A, B, C and D, which include the last two year state-wide comparisons, comparisons for six of the largest districts in Florida which represent about one-half of the participation and schools in the State and Broward County comparisons over the past four years, all reflect the need for special financial consideration to maintain the program at an acceptable level.

Exhibit "A"—State of Florida—Comparison of Pounds of USDA Commodity Foods and Values, July 1, 1971–February 1, 1972, July 1, 1972–February 1, 1973:

This study shows that there has been a 29.4% decrease in pounds of commodities received in Florida this year through January, compared to the same period last year. At the same time, there was a decrease in cash value of 29.0.

Exhibit "B"—YTD USDA Commodities—Comparison Selected Florida Districts, July 1, 1971–February 1, 1972, July 1, 1972–February 1, 1973:

A telephone call to the directors of five of the largest districts in Florida revealed that commodities were reflecting a decrease for the period indicated of 40–45% or about 1.2 million dollars.

It was felt that this was definitely reflected in the current profit or (loss) column which was about three-quarters of a million dollars including Broward County.

There are at least two other financial considerations: (1) there is some partial assistance financially because of the 2 cents increase in Section 4 funds this year from .06 to .08 cents, however, (2) at the same time, this decrease in commodities comes at a time when purchased food is at an all time high.

NOTE: In the last two bid periods, Dade County (Miami) reports a 21% increase in the cost of meat while Broward's was 13%.

Exhibit "C"—Four Year Comparison of Value USDA Commodities Broward County, Florida:

Value of commodities through January each year with current year. Also, value of ground beef received each year, compared with this year of zero. Further, the value of commodities per meal compared with this year to date .074, .075, .48 respectively.

This further reflects the \$247,869 decrease in commodities this year to date Broward County.

Exhibit "D"—State of Florida—Commodity Distribution—Comparison of Red Meat Donations 1971–72, 1972–73 All Schools:

We use far more ground beef than any other protein-rich food. When turkeys or canned poultry are sent to us, we still buy ground beef and at a premium price.

SUMMARY

We need to take a look at the funding of the total school food service program.

Although larger amounts of turkey and canned poultry were received this year, they do not take the place of red lean meats.

This year the lack of red meat, cheese, fruits and vegetables were the most acute. This increased the financial difficulty we have at the district level to meet Type "A" lunch requirements.

It is essential that purchases of commodities reach us very early in the year to help keep down beginning of the year "start up" costs and improve their utilization.

It is too late in the year now, it would appear, to catch up financially even if additional foods were purchased immediately because of the necessary logistics in moving food across the county to districts. Therefore, in Broward County we allocate commodities three weeks in advance.

School will be out before the situation could be corrected. Also, menus would be drastically changed to comply with foods purchased. Therefore, adequate emergency appropriations should be provided to bring receipts at least up to last year's level.

EXHIBIT A—STATE OF FLORIDA COMPARISON OF POUNDS OF USDA DONATED FOODS AND VALUE

Month	Year	Amount in pounds	Year	Amount in pounds	Percent decrease ¹
July.....	1971	99,379	1972	3,591	96.4
August.....	1971	1,747,791	1972	1,281,878	26.7
September.....	1971	4,975,037	1972	2,736,040	45.1
October.....	1971	5,275,992	1972	3,224,926	38.9
November.....	1971	6,038,927	1972	5,272,000	12.7
December.....	1971	4,117,995	1972	2,948,083	28.5
January.....	1972	7,135,979	1973	5,288,362	25.9
Total in pounds.....		29,391,100		20,754,880	29.4
Dollar value.....		\$7,006,162		\$4,981,171	29.0

¹ July 1, 1971 to Feb. 1972; July 1, 1972 to Feb. 1973.

EXHIBIT B 1—YTD USDA DONATED FOODS COMPARISON-SELECTED DISTRICTS

District	ADP	Number of schools	Profit or (loss) current	Dollar value USDA donated food ²
Dade.....	125,000	235	(\$107,000)	—\$344,333
Orange.....	58,000	95	(100,000)	(³)
Hillsborough.....	71,000	131	(90,000)	—189,134
Duval.....	62,000	129	(102,500)	—151,195
Pinellas.....	60,000	112	(230,000)	(⁴)
Broward.....	73,000	130	(73,258)	—247,869
Total.....	449,000	832	(702,758)	— \$ 1,200,000

¹ As reported by the Director.² July 1, 1971 to Feb. 1972; July 1, 1972 to Feb. 1973.³ Off 40 percent.⁴ Off 45 percent.⁵ Estimated

Note: There are 1849 schools on the national school lunch program in Florida with a daily participation of 884,306. The above major districts would represent 44.9 percent of the States' schools and 50.7 percent of the Type "A" participation.

Exhibit C—Four year comparison of value of USDA commodities Broward county

1969-1970:

July	0
August	0
September	0
October	\$38,210
November	12,211
December	69,587
January	145,043
Total	265,051
February	48,144
March	54,367
April	33,627
May/June	32,718
Total	433,907
Ground beef 4,859 cans..	176,382

1971-1972:

July	0
August	\$71,574
September	40,700
October	119,327
November	131,993
December	74,098
January	146,330
Total	584,022
February	99,289
March	109,355
April	162,520
May/June	75,739
Total	1,030,925
Ground beef 1943 cans..	70,531
Commodity value per lunch	.075 cents YTD

1970-1971:

July	\$2,750
August	10,264
September	67,425
October	119,005
November	112,240
December	193,907
January	93,575
Total	599,166
February	43,646
March	78,840
April	86,033
Total	807,685
Ground beef 2,537 cans---	92,093
Commodity value per lunch	.074 cents YTD

1972-1973:

August	\$8,982
September	400
October	76,036
November	122,006
December	12,568
January	116,161
Total	336,153
Ground beef	0
Commodity value per lunch	.048 cents YTD
Difference	—\$247,869

Exhibit D—State of Florida commodity distribution comparison of red meat donations all schools

1971-1972:

Ground beef.....	\$1,655,500
Beef patties.....	112,470
Frozen pork.....	3,040,840
Total pounds.....	4,808,810

1972-1973:

\$115,500
115,500

STATEMENTS OF VERN CARPENTER, DIRECTOR, IOWA SCHOOL FOOD SERVICES, ON BEHALF OF AMERICAN SCHOOL FOOD SERVICE ASSOCIATION, AND O. L. SEARING, DIRECTOR, SCHOOL FOOD SERVICE DEPARTMENT FOR THE SCHOOL BOARD OF BROWARD COUNTY, FLA., ACCOMPANIED BY SAMUEL VANNEMAN, AMERICAN SCHOOL SERVICE ASSOCIATION

Mr. CARPENTER. Thank you, Mr. Chairman.

My name is Vern Carpenter, and I am State school lunch director for Iowa. I am here today on behalf of the American School Food Service Association and the State directors.

With me is Mr. Lee Searing, on my right, food service director from Broward County, Fla., Fort Lauderdale, who will also testify, and we are accompanied by Mr. Sam Vanneman from the American School Service Association.

I wish to thank the committee for the opportunity of testifying regarding H.R. 4278, and also for your leadership and support of child feeding programs during previous years.

We need your support badly at this present time. In my mind there is no question about it. Without your leadership to enact legislation specifying minimum levels of reimbursement, there is no telling where our school lunch programs would be today, in view of impoundments and cutbacks.

Charts attached to my written statement support the contention that the States are receiving far less Government commodities this year when compared to last year.

In summary, commodities received per meal so far this compared to last year are: Iowa 44 percent less, Minnesota 58 percent less, Missouri 53 percent less, North Dakota 71 percent less, Ohio 61 percent less, South Dakota 47 percent less, Wisconsin 53 percent less, Illinois 53 percent less, and Michigan 41 percent less.

Now, most States do not use the same dollar value for commodities as the USDA uses.

Chairman PERKINS. Do you have the statistics for all of the States in the Union?

Mr. CARPENTER. This would apply to all. In view of the time element, Mr. Chairman, I could only get 9 out of 11 that I thought I could get in a hurry.

Without getting hung up, though, on methods of competition, it can be seen that States have not received the dollar amount of commodities received last year, despite increases in commodity prices.

We asked the USDA for exact budget figures by program, but the USDA has not been able to furnish this information. If I may, I would like to have a copy of the form I used to request the information from the USDA put in the record.

Chairman PERKINS. Without objection, it is so ordered.

[The document referred to follows:]

USDA COMMODITY VALUE BUDGETED FOR FISCAL YEAR 1974

1. Public Schools:				
a. Lunches for Year	-----	x	¢ =	\$-----
b. Breakfast for Year	-----	x	¢ =	\$-----
c. Total of 1a + 1b =				\$-----
2. Non Public Schools:				
a. Lunches for Year	-----	x	¢ =	\$-----
b. Breakfast for Year	-----	x	¢ =	\$-----
c. Total of 2a + 2b =				\$-----
3. Special Food Service Program:				
a. Breakfast for Year	-----	x	¢ =	\$-----
b. Lunches for Year	-----	x	¢ =	\$-----
c. Supper for Year	-----	x	¢ =	\$-----
d. Total of 3a + 3b + 3c =				\$-----
4. Head Start Programs:				
	-----	ADP x 180 days x	¢ =	\$-----
5. Summer Camps:				
Total for Summer	-----	meals x	¢ =	\$-----
6. Total Commodity Value based on entire fiscal year				\$-----
grand total of 1c + 2c + 3d + 4 + 5 =				\$-----
7. Amount budgeted for Disaster Feeding				\$-----
8. Grand total of 6 + 7				\$-----
9. Amount USDA requested in FY 74 budget				\$-----
10. Difference + or -				\$-----

Mr. CARPENTER. The outlook for more commodities to be forthcoming to those of us out on the firing line seems very bleak, especially ground beef and ground pork, which are the expensive items, and which schools are having to buy at increasing prices.

I wish to assure the committee that I am not here today to say that Iowa's situation is any different from any other State. It isn't.

I am confident that the committee understands the problem. This information is presented for your thoughtful consideration.

Before proceeding any further, could I take a second to briefly review the commodity picture?

I am old enough to remember the 1930's. Milk was dumped into the streets. It was said that kerosene was poured over huge mounds of potatoes to keep them from glutting the market.

The Congress responded and took action to relieve the farmers' plight. The Congress enacted agricultural acts under the surplus removal price support for use in school lunch programs, and this has certainly proved to be a wise and logical use.

My question is: Hasn't the farm commodity situation changed? As I understood it, and I was in on one of the hearings last July, the Congress intended that schools this year would receive 8 cents in cash reimbursement for each lunch, plus 7 cents worth of commodities, and this totals 15 cents.

I can answer the question about how schools think about commodities.

It is true we have sections 6, 32, 416, and 709. We have all of those. A school, though, looks at it as a commodity delivery. They don't associate, even though it may say on the can or label that it is from section 6 or 32—they do not associate this with commodities.

They want to know at the beginning of each year how much commodities are we going to get. Is it going to be about the same as last year?

We thought we had the assurance it was going to be, so we thought that we were going to get 8 cents cash plus 7 cents in commodities, and, frankly, some of us have been concerned that maybe even the 8 cents would be cut back in cash. It hasn't been.

Now, a year ago, it was 6 cents cash plus 7 cents in commodities, which is 13 cents. We thought we were getting 2 cents increase. That is what we thought.

But if commodities are cut back far enough this year, Mr. Chairman and members of the committee, the intent of the Congress will be circumvented, and we States will receive less in total than last year's 13 cents. Our lunch program cannot sustain this loss.

One of the members of the committee asked about what 1 cent would mean. That was an apropos question, because we deal in pennies. We always have dealt in pennies. If we can go to a lunch program and show the director how he can save a fraction of a cent, that may mean the difference between red ink and black ink for the year, just a fraction of a cent.

So you see we are here trying to fight for pennies. Shouldn't we consider the possibility that the USDA will not be able to supply 7 cents worth of commodities this year, or next year, for that matter, or even in succeeding years? Also, shouldn't consideration be given to changing the cash?

Notice I said "changing," and not "raising" the cash reimbursement for 15 cents per lunch for fiscal year 1974, plus whatever surplus and price support commodities the USDA might be able to furnish, and under 32 and 416. Then we would not have to rely on USDA to furnish 7 cents worth of commodities. More likely, it would be 2 or 3 cents worth.

So this could be 8 cents cash under section 4, plus 7 cents cash under section 32. Since the USDA assures their budget for fiscal year 1974 contains sufficient dollars to provide 7 cents worth of commodities per lunch, this would be only a switch between line items within their budget, and not a budget increase.

In view of fewer commodities, higher food prices, more cash outgo, lower cash balances, all of which the committee is familiar with, just what are we going to say to school administrators whom we are urging to start new programs? Are we going to look them in the eye and say, "This program will be self-supporting if you would get that program started," especially in a needy school?

We urge quick passage of H.R. 4278. We are well into the second semester, and it is late for USDA, and I would like to insert probably too late for the USDA to offer to buy, take bids, deliver to the States, for States to deliver to the schools, for schools to gather and plan their menus, for them to use them in their menus, and we must remember that some schools will be dismissing the middle of May, and 4 months is a conservative estimate by the time they would consider starting something, purchases within the USDA until the time we delivered them to the schools. Three months for the USDA to start the process and get to the schools would be perking right along. It would be going some if we could rely on 3 months. I can break that down week by week if you wish.

Federal funds are distributed under H.R. 4278, rather than commodities. These funds should be distributed under section 32 and not under section 4, because funds distributed under section 4 would raise State matching requirements after State legislatures had taken action.

We urge these Federal funds to be distributed under section 32, and that the bill so state. If not so specified, legal counsel may interpret it otherwise.

Lastly, if H.R. 4278 passes, the full \$313.7 million appropriated by Congress for commodities for fiscal year 1973, and that is what the amount was, should be expended, and the bill should specify. And we will notice that in the fiscal year 1974 budget, that the asking is still \$313.7 million for fiscal year 1974, which is not an increase of \$6.075 million. It is not. It is an increase of what USDA intends to spend, or estimates they will spend.

Thank you.

Chairman PERKINS. Let's hear the other witness.

Mr. SEARING. Thank you.

I am Lee Searing, director of the school lunch program, Fort Lauderdale, Fla.

Chairman PERKINS. I am happy to see you here today.

Mr. SEARING. Thank you, sir.

It is nice to see you, sir.

In Florida at the State level we are off 29.4 percent, comparing the period of July 1 through February 1 of this year with last year.

I made a telephone call to five of the largest districts in Florida, and they reflected that they were off by 45 percent with respect to their level of commodities this year.

Dade County—

Chairman PERKINS. On that point, Mr. Carpenter, do you think that you can get the information for all of the other States than just the ones you have enumerated here, as to how much the States are short of receiving commodities this year as contrasted with previous years?

Mr. CARPENTER. Yes; it is possible.

Chairman PERKINS. Please try to submit it for the record within the next 2 or 3 days. Without objection this data will be inserted in the record when it is received.

Mr. CARPENTER. Mr. Chairman, I could not do it within the next 2 or 3 days, as much as I would like to because it is not available in some States. They do not have the records to show it.

Chairman PERKINS. Do the best you can within the period of time available.

Mr. CARPENTER. I shall.

[Information requested follows:]

Shortages in commodity distribution below fiscal 1972 levels

For period July 1, 1972, to Jan. 31, For period July 1, 1972, to Jan. 31,

1973:	Percent (minus)	1973:—Continued	Percent (minus)
Connecticut	42	Minnesota	58
Pennsylvania	46	Missouri	53
New York	50	North Dakota	71
New Hampshire	50	Ohio	61
Massachusetts	50	South Dakota	47
Montana	26	Wisconsin	53
Idaho	32	Illinois	53
Washington	43	Michigan	41
Utah	28		
New Mexico	37	For period July 1, 1972, to Dec. 31,	
Louisiana	32	1972:	
Colorado	20	Rhode Island	46
Mississippi	20	Oklahoma	29
Iowa	44	North Carolina	25

Mr. SEARING. Dade County, Fla., with 235 schools—they are down \$344,000 for this period July 1 through February 1 this year compared to last.

Orange County reports off 40 percent.

Hillsborough County, Tampa, reports off \$189,000.

Duval County, Jacksonville, reports off \$151,000.

Pinellas County reports off 45 percent.

Our own Broward County reports are down \$247,000 this year as compared to last year. Last year and the year before we had 7.4 cents and 7.5 cents respectively. This year our average per meal rate of commodities is only 4.8 cents.

In all schools in the State last year, we received 4.8 million pounds of red meat, and this year we have only received 115,000 pounds of red meat. Although we received larger amounts of turkey and canned poultry this year, they do not take the place of red lean meat.

We had a big decrease in red meat, cheese, fruits, and vegetables. These were the most acute. This increased the financial difficulty we have had at district level to meet type A lunch requirements.

If we take a look at these six largest districts in Florida, which represent about half of the schools and about half of the participation, the current profit and loss column is a loss of \$702,000, and I am certain that there is a direct correlation between the quantities of USDA donated foods and our cash deficit there.

It is very essential that the purchase of commodities reach us early in the year. This keeps down our beginning of the year startup cost, and it improves our utilization of commodities.

It is too late in the year now to catch up financially, even if additional foods were purchased immediately, because of the necessary logistics in moving across the country to school districts.

In Broward County, we allocate commodities 3 weeks in advance. We do this by computer. We determine how we will load our trucks by computer, so you have this turnaround time that is a delay.

We feel that school will be out before the situation could be corrected. Also, if we did get something very late in the year, we make our menus out on a 6-week cycle, and this would be very difficult in our menu planning.

Therefore, we favor an adequate emergency appropriation to help us with our financial situation. In Broward County, we are down \$73,000 this year. Last year, out of \$8.3 million program, we made \$10,000, and through December, we are off \$73,000.

So, you can see this situation is pretty much the same throughout the State of Florida. Thank you.

Chairman PERKINS. Mr. Vanneman.

Mr. VANNEMAN. I have no prepared statement, but I would like to make a couple of observations.

I think schools clear across the country thoroughly understood that they are going to be guaranteed 7 cents commodity this year. The schools have relied upon what the Secretary of Agriculture has said, but it has not come through and despite the testimony from the Department of Agriculture, it is clear the schools are not going to get 7 cents in commodities.

On December 12, the Department of Agriculture went out to attempt to buy ground beef. It has not bought a single pound so far.

According to the report of February 16, no bids were received from vendors to sell ground beef to the Department of Agriculture.

It is simply too late. If they bought it today, it would not get into the schools until the schools had closed. So, what we are talking about is somewhere around \$40 million to \$50 million in commodities that the schools should have received this year, and if they do receive them, it is going to be far too late.

Thank you, sir.

Chairman PERKINS. Let me throw a question to all of you. Should we give the Department of Agriculture another month or couple of weeks to see whether they can come up with the commodity purchases before we order them to turn over the cash to the school districts? Or, should we just say we want the cash now, instead of waiting these few weeks to see what they can do?

Mr. CARPENTER. Mr. Chairman, we have been mulling this over in our minds, and, of course, we know that the Department has been trying to purchase cheese since last May, and I do not believe that they have purchased any nonfat dry milk since November.

We also know that there are the normal consumers to consider. When the price goes up, it has been said that if the USDA offers to bring fresh frozen ground beef, the price will increase 3 cents.

There is public reaction to increased prices, whether it is milk, meat or whatever prices it would be.

Chairman PERKINS. Please state further whether or not you feel there would be adequate time to get the cash turned over to the school districts.

Mr. CARPENTER. Well, I do not really see any difficulty in getting the cash there, and I am not taking issue with the USDA.

If they issue us a letter of credit within a period of a week, we will have the cash out to the schools. So that is the least of our troubles to get the cash out to the schools.

It would be very easy to compute. It would also be very fine if they could have it to bolster the cash balances that are so terribly low right now, and they are getting lower each month, and they will continue that way.

I cannot foresee what commodities the USDA would buy or would be buying right now that would be readily available under any of the sections. We haven't a number of commodities, as you, sir, are well aware, Mr. Chairman, from the survey.

Some of these commodities have not been furnished this year.

Chairman PERKINS. Will you mention a few of those?

Mr. CARPENTER. Yes, sir. Ground beef has been mentioned as receiving none. Canned pears none. Canned peas none. Canned plums none.

Mr. MEEDS. Will you yield, Mr. Chairman?

Chairman PERKINS. Yes.

Mr. MEEDS. Would the witness tell me in his own opinion if he thinks that the Department is about to step in here and make a lot of purchases particularly of ground beef, at a time, when the President is saying it is patriotic to eat fish?

Do you think they are going to do that?

Mr. CARPENTER. In my opinion, no, sir, in no way.

Mr. MEEDS. I am sure you heard testimony of the USDA. You would have thought we were born yesterday by saying they were going to go out and make these purchases. It is asinine to assume they are going to, is it not?

Mr. CARPENTER. It is in my opinion.

Canned purple apricots, none. Cheese, none. Raisins, none. Frozen turkeys, I hear it mentioned a lot more turkeys were being purchased this year.

I wonder about that because last year, we got 26 loads and this year we got 27 loads.

Chairman PERKINS. In your opinion, why was the Department unable to purchase those?

Mr. CARPENTER. I do not know, sir, on the turkeys. We were told we were allocated far more than that, and then we received a telephone call, "Sorry, you will not get that many cars, it has been cut back."

We asked, "Why," and the answer is that they do not know. Frozen ground pork, last year we got 41 loads. We were to get 15 loads which have now been cut back to 9 loads. We received five of those loads, and have four more coming in.

Our schools have not received, unless some of them get it today, any ground pork. Applesauce, we are 72 percent less. Dry beans, since I sent in this report is the same as last year.

Canned corn, 22 percent less. Canned peaches, 11 percent less. In all fairness, we received some fruit cocktail this year that we did not get last year, 3,257 cases of fruit cocktail that we did not get last year.

So, this is the general picture.

Mr. Meeds. Let them eat fruit cocktail.

Mr. CARPENTER. I do not have the answer, Mr. Chairman and the committee, as to what commodities they could go out and purchase right now, and have available before the end of the school year.

And, of course, by the time the USDA draws up specifications, by the time they mail it to the trade and make public announcements, it takes about 1 week or 10 days to make bids, they get the bids, and then they have to make the decision, then they have to notify the vendors of the acceptance. Then, it would be another week to make allocations.

Then another week to notify the regional offices, then it is 3 or 4 weeks for the vendor to ship it, and sometimes they do not ship within the shipping dates. We have to hold up a delivery because it is not in.

Chairman PERKINS. If we give them until the first of April before we order the case, then, in your opinion, we would be treading on dangerous ground.

Mr. CARPENTER. Yes, sir.

Chairman PERKINS. Do you agree with that, Mr. Searing?

Mr. SEARING. Yes, I think we need the money this afternoon, sir.

Chairman PERKINS. What is your view, Mr. Vanneman?

Mr. VANNEMAN. I think it is clear that we have waited as long as we can if we expect the schools to get any help out of the money that was appropriated for this program.

Mr. CARPENTER. Mr. Chairman, may I also add something that the committee is already aware of.

If we get commodities later this year, which we sometimes have, and have to hold them over during the summer, this means increased storage cost plus the fact it means deterioration of the product sometimes.

Chairman PERKINS. Mr. Peyser?

Mr. PEYSER. I would like to ask, if you get the money now, do the school districts in your States have the organization to set forth the use of this money in acquiring the food products in time to help out this present year situation?

Mr. CARPENTER. Yes, sir. One point further down the line on that is that in Iowa on December 31, 62 percent of our school districts had a cash balance of 1 month or less. Thirteen percent had a deficit balance. They are already operating in a deficit, and that is like saying somebody has an amount equal to 1 month's check.

Mr. PEYSER. In other words, what is happening, if I understand this correctly, is that they have utilized the moneys up ahead of time because they have not been getting the commodities that they had anticipated getting. Therefore the other moneys have been used.

Mr. CARPENTER. Yes, sir.

Mr. PEYSER. That is what has happened in Iowa and Florida and the schools we are talking about right now. How long can that situation go on?

In other words, suppose there is no further aid coming from this point on as far as the program is concerned. Would Iowa be able to complete its school year with regular school lunches?

Mr. CARPENTER. It is going to be very difficult, and I think, sir, it was you that pointed out that schools no longer have unattached resources to tap. The day has passed with the austerity program in most States when we can expect a school district to dig up an extra \$2,000 or \$3,000 or \$5,000 to bail out the school lunch program.

Those days are gone. It might not be an individual school system. I am speaking in general terms. What are they doing? They are calling, writing and saying, "We want to raise the price of student lunches."

Well, sir, every time you raise the price of student lunches, participation drops the same day, and not only that, once the participation drops, your per-meal cost jumps the same day because you do not let off two or three employees the same day that participation dropped.

So, this is a multifaceted thing. This is one big part. Normally at this time of the year, were we receiving the red meats we are talking about, our cash balances right now, even though they are low, would start regaining their former level, which they would reach by the end of the year.

This is not happening. The curve right now is going down. As Mr. Searing said, he is going to be fortunate with \$73,000 deficit for December 31, and his estimate is that that will grow to \$250,000 deficit by June 1.

Mr. PEYSER. Could we say that there is, in your opinion, a crisis in the ability of the school lunch program to continue under the present funding arrangements?

Mr. CARPENTER. Yes, sir. I have visited with other State directors who have the same opinion and the same circumstances.

Mr. PEYSER. Thank you.

Chairman PERKINS. Mr. Meeds?

Mr. MEEDS. Thank you, Mr. Chairman.

Could you give me your estimate, sir, on the time required between the decision of the USDA to purchase and the ultimate arrival at the local schoolhouse door?

Mr. CARPENTER. Four months.

Mr. MEEDS. Is that a general rule?

Mr. CARPENTER. Yes, sir.

Mr. MEEDS. So that USDA's testimony just previous to your testifying that 2 or 3 months was average is one third, 33 or 25 percent off?

Mr. CARPENTER. I would not change my estimate of 4 months, because you asked from the time it is utilized in the school and that is what counts.

Mr. MEEDS. So that even if they did make massive purchases in March, it does not mean very much to the present school year, does it?

Mr. CARPENTER. It is not going to get there by the middle of May when school starts closing.

Mr. MEEDS. And certainly none of the perishables could be purchased under that arrangement.

Mr. CARPENTER. Yes, sir. That is another big point in the distribution of commodities with perishables, because that causes many problems that I am sure the committee does not want to hear all down the line, and how you have to hold up a shipment so you do not hold a perishable over an extra month.

And that would even compound the situation.

Mr. MEEDS. Thank you, sir.

Chairman PERKINS. Mr. Mazzoli.

Mr. MAZZOLI. I would ask whether they have obtained from their States assistance under revenue sharing?

Mr. CARPENTER. Are you speaking of next year?

Mr. MAZZOLI. Yes.

Mr. CARPENTER. I just met with a Joint Senate and House committee on this very point and answered their questions in connection with revenue sharing for fiscal year 1974 and 1975.

Mr. MAZZOLI. Is there any way your States help you through this school year?

Mr. CARPENTER. It would have to come from the individual school district.

Mr. MAZZOLI. Not from the State, but through its State Department of Education?

Mr. CARPENTER. Food has a very low priority. As you are well aware, when times get tough, if anyone cuts down on anything, they cut down on the food they eat, and the food they purchase.

I am concerned about one point, and that is, and it is in my written testimony, that if you operate on a deficit balance month-in and month-out, it is bound to effect the quantity and the quality of food that is served.

Mr. MAZZOLI. I was not here for testimony of the gentleman from the Department of Agriculture. Did he speculate as to why there was this problem of their part and why you are receiving the crunch at the local level?

Mr. CARPENTER. I do not know that I should answer exactly what they said. I am not trying to avoid your question.

Mr. MAZZOLI. I can read it, of course. Thank you very much.

Chairman PERKINS. Before I call on the gentleman from Florida, Mr. Lehman, to question you, Mr. Searing, I would like to say we are mighty proud you sent this gentleman to Congress.

He has been most helpful to the committee and the Congress. We appreciate his appearance here and his service.

Go ahead, Mr. Lehman.

Mr. LEHMAN. I wanted to bring out one fact in this particular school lunch situation. In the State of Florida, by statute, could you commingle regular educational funds with school lunch funds?

In other words, are you allowed to take school board funds that were used for educational programs and supplement the school lunch program with these funds?

Mr. SEARING. Yes, I think so.

Mr. LEHMAN. Not in our district. The problem is, according to the way I understand the statutory requirements of the State, when I was on the school board in Dade County, there was no way they told us, the school board members, that you could take money from what we called the minimum foundation money and other money and allocate it to school lunch programs.

The school lunch programs were self-contained. They had to be paid for. I might be wrong. Maybe you can clarify this. They had to be paid for either by the individual child paying for it or by State allocation or Federal allocation of assistance to the school lunch program, but there was no way that we could make up funds out of the regular school funding.

Mr. SEARING. Sir, I think Dade County would underwrite the program to a great extent. I do not know the figures right now.

Mr. LEHMAN. I know they underwrite it to the extent of capital improvements, but as far as the cost of the food and the cost of the operation, the cost of the operation has to be self-contained and self sufficient.

Mr. SEARING. It is all part of funding. If you helped with labor or if you helped with supervision or capital equipment, by State board regulation in Florida, you cannot pay for supervision out of food service operation funds.

Mr. LEHMAN. And you cannot pay for food out of the other funds. I think I am right that the cost of the food, itself, cannot be paid for except by specific funds that were allocated by the State or by the Federal Government or by the child himself.

What I am trying to say is that in Dade County, when we were running low in the Federal or State support, the only place we had to go was to raise the price of lunches 4 cents. There was no other place to go.

You could not take money out of any other school education program and put it in the school lunch program. You are locked into this in Dade County. You can pay your salaries but you cannot pay your cost of food except from the resources that you use to supply the food with.

Therefore, what was so frustrating for us in Dade County, especially as the amount of free lunches that were not supportive by Federal or State, increased, the only persons that we could go to to subsidize those free lunches was the pay lunches.

And the higher you raise the pay lunches, the more people you had dropping out, as the gentleman from Iowa stated. It is a vicious circle. The only way you are going to be able to meet this crisis is by additional Federal assistance, and now we are getting less Federal assistance, and right now, in Dade County, we are \$340,000 or \$350,000 in the red already.

The only way we can make up this in Dade County at this point is to raise the price of the lunch and, when you raise the price of the lunch, your number of free lunches increases and you lose all the way around.

If you are going to sustain a school lunch program in Dade County, as vulnerable and precarious as it is, the best way not to do it is to take away these farm products and not replace them with the funds to supplement this.

You are destroying our school lunch program in Dade County by implementing this kind of a program.

Mr. SEARING. I concur.

Chairman PERKINS. Let me ask you one question. How should we take care of the private school, Mr. Vanneman?

Mr. VANNEMAN. I hoped you would ask me that question. I do not think there is any intent in this legislation to exclude private schools. As a matter of fact, the legislation says that the money shall be used by all schools participating in the program.

Since it is subject to misinterpretation, I would agree that it would be very simple to add a sentence to make it clear that the private schools would share equally with the public schools.

Chairman PERKINS. I think we all understand it. Do you agree with that, Mr. Carpenter?

Mr. CARPENTER. Yes, sir. They should.

Mr. QUIE. You have no problem with this legislation in the States where public schools distribute the commodities to the nonpublic schools. It is just in the States where you have to use the bypass.

Mr. VANNEMAN. In that instance, the Department of Agriculture would hold a pro rata share for private schools.

Chairman PERKINS. We can direct the Department to do the same thing when the States have the bypass.

Mr. LEHMAN. Mr. Chairman, in Dade County we are so overcrowded we have half day schools now, so we have eliminated the lunch program in some of the schools by double sessions.

Chairman PERKINS. Thank you gentlemen. You have been most helpful. We are going to try to move expeditiously. We hope to report the bill from the subcommittee tomorrow and then from the full committee on Thursday.

Mr. Patrick B. Healy, Secretary of the National Milk Producers Federation. We are happy to have you here.

STATEMENT OF PATRICK B. HEALY, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. HEALY. Thank you, Mr. Chairman. I have submitted a statement which I think you have, and I would like to make some brief comments on it at this time.

[The prepared statement follows:]

STATEMENT OF PATRICK B. HEALY, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. Chairman, Members of the Committee, I am Patrick B. Healy, Secretary of the National Milk Producers Federation, a national farm commodity organization representing dairy farmers and the dairy cooperative associations which they own and operate. Organized in 1916, it is the oldest and largest farm com-

modity organization in America. Its members are cooperative associations doing business throughout the United States.

I appreciate this opportunity to express the views of the nation's dairy farmers with reference to H.R. 4278, a bill to amend the National School Lunch Act to assure the Federal financial assistance to the child nutrition programs.

Good nutrition has always been a primary concern of the National Milk Producers Federation. Certainly, the mental and physical growth of our nation's children is dependent upon making nourishing, wholesome and adequate quantities of food available to them. In many cases, a child's best nutrition is made available through his school food service program. These programs should, therefore, reflect the best food value our nation can provide.

Dairy products are well recognized as an essential ingredient to a balanced diet. We, therefore, have a direct interest in the National School Lunch Act. Our organization supports the concept that Federal financial assistance to the child nutrition programs be maintained at the level budgeted for fiscal year ending June 30, 1973.

However, existing legislation, as contained in Section 709 of the Food Agriculture Act of 1965 (Public Law 89-321), already provides the authority needed to adequately supply the nation's schools with dairy products:

Sec. 709. 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, foreign distribution, 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.

Rather than support this amendment to the National School Lunch Act, which could confuse the distribution process of commodities needed by the schools, we suggest that Section 709 be amended to provide for the purchase of additional commodities as needed to provide balanced nutritional diets in the schools. Given this authority, the Secretary of Agriculture could then fulfill his legal obligation to fully implement the National School Lunch Act at the level budgeted by purchasing and distributing these needed commodities to the nation's schools.

We do not oppose the goal of this proposed legislation to assure Federal assistance to the child nutrition programs; however, we cannot support this bill because we believe that a better purpose would be served by expanding the authority which has already been provided to meet crises such as those currently being encountered.

The National Milk Producers Federation will support attempts within the House Agriculture Committee to expand the authority of Section 709 to provide for the purchase of additional commodities at market prices to meet the requirements of school food service programs.

Mr. HEALY. First of all, Mr. Chairman, we in the National Milk Producers Federation completely commend you and your committee for the thrust of this legislation which is before you. The school lunch program is indeed one of the very great programs which the Congress has developed.

It has, at least up until now, worked to meet a twofold purpose. The first of these purposes, of course, is a good balanced nutritional meal for schoolchildren. The second purpose, which I think perhaps may have been overlooked in the testimony which I have heard here today, is the proper utilization of excess commodities which certainly was a real consideration at the time the basic legislation was passed.

From the standpoint of child nutrition alone, the amendment which you proposed to the act is necessary because, without question, in some fashion this food must be provided so that the lunches can continue.

But, to serve both purposes of the act, nutrition for the children and proper management of our normally abundant supplies of food, we think that perhaps there is a better way.

Some years ago, my organization supported before the Congress an amendment to existing legislation, now known as section 709 of the

Food and Agriculture Act of 1965, which provided that when confronted with situations where the Government did not own sufficient stocks of dairy products to meet the needs of the school lunch program, the Secretary of Agriculture could go into the market and buy dairy products to meet his demands.

We think that this would perhaps be a better way to do what is necessary to be done at this point: that section 709 be amended to make it available for all commodities.

If this were used, then of course both purposes of the School Lunch Act could be met. Since the need for action on this is immediate and there may not be time to amend section 709, we do have an alternative to propose. We fear that maybe the schools would not strive to meet both purposes of the act if they were merely given the money to spend.

We, therefore, have a suggested amendment to H.R. 4278 which reads as follows: We would suggest that the following sentence be added: "Such food shall be limited to the requirements for lunches, breakfast and special food service program for children as currently provided for in the Regulation of the Department of Agriculture under title VII subtitle B, chapters 2, subchapter A, parts 210, 220, and 225."

What that does is limit the purposes for which this money can be spent to those contained in the regulation today setting forth the types of food which can be bought with this money.

Falling short of that, we see no reason why the Department should have allowed a crisis in food distribution, particularly of dairy products, to develop. The authorities exist under which the Department can go into the market and buy these foods.

It would have no more price effect in the market for the Department to go in and buy them than it will have for the schools to go in and buy the same amounts of food. I think the problem that we are confronted with is that there is some reluctance on the part of the Department of Agriculture to recognize just why these laws were put on the books.

The price support law, which we have skirted around talking about here today, was not enacted to allow CCC to buy commodities. The price support law was enacted to help farmers achieve parity of price in the marketplace.

Regarding milk, we are getting about 80 percent of parity today. What in the world would be wrong with going into the market to buy cheese and to buy milk powder which was available, for a price, and carrying out the desire of Congress in allowing farmers to achieve a fair price in the marketplace?

I think this is probably where the program has fallen down. This is why the crisis has developed and could be avoided had the Department acted to buy dairy products at the market price. Were you to amend section 709 to allow the Department of Agriculture to buy commodities other than milk and dairy products under 709, and where they do actually buy the products, then these crises would be averted.

If the legislation were passed and implemented, we would not be sitting here trying to count days to see whether we could get commodities to the schools. This is the important thing. But as I say, nonetheless, in some fashion, this commodity must be provided for the children.

If we cannot do it under the rules that are now written, then this bill which is before you, with the amendment which I have suggested, would perhaps serve a very good purpose.

Mr. Chairman, I thank you for your time.

Chairman PERKINS. Thank you very much.

Mr. Quie?

Mr. QUIE. Thank you, Mr. Chairman.

Mr. Healy, thank you for your testimony. Let me ask you about section 709, which is limited to dairy products. As you indicate in your testimony, it would take an amendment to that section in order to permit the Secretary of Agriculture to purchase any other commodity under the same authority.

What about the availability of manufactured dairy products now? It has been suggested that they had to buy some nonfat dry milk, in order to meet the need, I guess that stopped February 15.

How do you feel about the availability of milk under that program if they wanted to utilize it for the school lunch program?

Mr. HEALY. First of all, Mr. Quie, I had debated with the Administration regarding the advisability of bringing in that milk powder. There was no shortage of milk powder. There was close to balance in the markets. I know of no buyer who went with the proper amount of money into the market who could not buy milk powder.

Such is the case today. If the Secretary of Agriculture went into the market looking for milk powder or cheese today, at the parity price for those items, he could buy all he wanted to.

So the product is available. Milk and dairy products are always available at a price. The dairy farmers of this country, and I am sure the meat farmers and other farmers who are looked to to supply this program, will always supply a market for a price.

We have been after not only Secretary Butz, but several Secretaries of Agriculture of both parties to announce at the beginning of the year what their requirements are for schools, to feed the needy, and so on. These programs are a national public policy; if they would ever tell us what we need for those programs at the start of the year, we certainly could provide the product for them.

So, without being argumentative with Dr. Yeutter, who appeared here before, the product is available. If they want it, they can buy it.

Mr. QUIE. I can understand why it is difficult to buy some of the commodities that they have been purchasing in years past with section 32 funds because the prices on some of the commodities have moved up substantially.

The same thing is true of price supported commodities. Everyone is aware of what soybeans have done.

Mr. HEALY. Our dairy farmers are paying \$240 a ton for soybean meal today, that they were buying for \$87 a year ago.

Mr. QUIE. What about the average price of milk. What percent of parity is that?

Mr. HEALY. For all whole milk, it is about 80 percent of parity today. The price support level, by the way, is 72.5 percent, which is below the legal minimum.

Mr. QUIE. If there was a desire to encourage the price of milk, which at 80 percent of parity would not be out of place to do, certainly purchases with section 709 would not be out of place, would it?

Mr. HEALY. No, sir. Failing a reasonable price support level, 709 could well be used to again accomplish two purposes. First to provide the food not only for this program, but for some of the other programs which are also national public policy, and second, to put a little money into the dairy farmers community so that we are not in a worse production crisis at this time next year.

Mr. QUIE. What about the time of delivery that was talked about earlier. If the product is available, how quickly after bids were requested do you think this commodity could be made available?

Mr. Yeutter indicates it depends on the commodity.

Mr. HEALY. It depends on the commodity. It depends on how you want it delivered. But certainly for cheese in 40-lb. blocks, the delivery period could be quite quick from date of purchase. Ten days to 2 weeks would put cheese into the States.

I do not know what their delivery system requires beyond the State level. But in the dairy business, we move these commodities in these size packages on a daily basis. There is really good reason to go into the market and buy these products as we approach our flush production season.

Our production will start to go up seasonally right now, as a matter of fact, and will rise through June. There is reason to go into the market and buy these things now. The authority is there for them to do it.

I can understand perhaps why there is a crisis with meat or fruits and vegetables, but why in the world these men have to come before you here and tell you that they have been unable to get cheese when the cheese is available in the market and the Secretary has the authority to go and buy it, it is beyond me.

Mr. QUIE. Thank you, Mr. Chairman.

Chairman PERKINS. Let me say to the gentleman that, of course, we all have some idea of how the commodity programs operated in the past. I saw them operated in the mining communities during the depression days and started again in the early 1950's; 1953 or 1954, and again in the 1960's. In some places they have been replaced by food stamps. But, I can see that it is most difficult for the Department to make purchases and this is where I disagree to some extent with your testimony. You mentioned the price of soybeans, one of the basic price-supported commodities. There are hundreds of thousands of bushels of soy beans that rotted in the fields before they could be gathered last fall and, of course, that is the reason for the price.

The same is true with other commodities that have been most difficult to obtain. But it appears that the only reasonable way to get these commodities to the schools, for the benefit of the schoolchildren this year, is for the Department to send a letter of credit to the areas involved so the local school districts can participate and get their part of the money to make their own purchases.

Am I correct in that statement?

Mr. HEALY. Certainly for this year, Mr. Chairman, by the time you got 709 amended, and some of these other things done which would be necessary to be done, there could be no argument to your statement.

I do recommend, however, to you that you put some restraint on the way the money is spent, and I have read into the record a suggested addition to your bill which would only limit the expenditure to those items of food which are in the current regulation.

Chairman PERKINS. Mr. Meeds.

Mr. QUIE. Would you yield?

Mr. MEEDS. Yes.

Mr. QUIE. Amending 709 would take some time but there is nothing preventing the Secretary from buying dairy products with 709 now.

Mr. HEALY. Not last month or the month before.

Chairman PERKINS. Mr. Meeds.

Mr. MEEDS. Thank you, Mr. Chairman.

Mr. Healy, it is nice to see you here before the committee. I think you were overly kind to the administration when you said, "Their problem is a reluctance to recognize the reasons these acts were put on the statute books."

I do not think it is reluctance at all. I think it is an outright adamant desire to derail the intent of Congress. So, you are much kinder than I would be. The point that Mr. Quie makes and that you make in your statement, the fact is, authority presently exists under 709 for the purchase of dairy commodities, right?

Mr. HEALY. Yes, sir.

Mr. MEEDS. Commodities which are available, right?

Mr. HEALY. Yes, sir.

Mr. MEEDS. And they have not used that authority.

Mr. HEALY. No, sir.

Mr. MEEDS. Is there any reason to believe that if we give them additional authority, that they will use that authority?

Mr. HEALY. Well, no, sir. But, there is also no reason to believe that they will treat the funds that you authorize here any different than the funds for Farmers Home Administration funds were treated.

Mr. MEEDS. We are going to have a showdown on that kind of thing in the future. There may be no way to get this money to the school lunch program this year. I think we all recognize that with the position of the administration overriding the will of Congress in many areas.

Until this issue is settled, probably in the courts, we are going to have some problems with these things.

Mr. HEALY. Mr. Meeds, you know we have had these distribution programs for many years, and they cannot be operated on an on-again, off-again basis. When you set up a system to distribute food and no food is put into the pipeline, the system atrophies.

I think one of the most essential things that this committee could do is to demand of the Secretary each year a statement of his requirements for this and other distribution programs.

If he does that, the industry concerned can consider that a market for which it can produce and will produce. Then, of course, we would not have these recurring crises. This year is not the first.

Mr. MEEDS. But the fact is that under the present law, even if we gave them further authority, the chances of them using that authority are very slender this year.

Mr. HEALY. That is, unfortunately, probably true.

Mr. MEEDS. Thank you, Mr. Healy.

Chairman PERKINS. Mr. Mazzoli.

Mr. MAZZOLI. Thank you, Mr. Chairman.

I am very much ill at ease at this conversation, because I really do not understand too much about food and prices and parity, but I am curious.

What is the parity price that you talk about?

Mr. HEALY. Parity is a system for measuring farm prices in the marketplace against the cost of things that farmers must buy and wages and taxes; many things go into the formula.

It is a measure of the cost of food production. I do not think any person who has looked at it very closely would sit here and attempt to defend it to you, percentage point by percentage point, but it is the only yardstick we have today.

It is a little out of date. It has been revised recently. But essentially, parity is designed to make the farmer a good customer by providing a price for his commodity somewhat related to the cost of things that he must buy to continue to exist.

Mr. MAZZOLI. Parity is higher than the market price?

Mr. HEALY. Parity is higher than market price.

Mr. MAZZOLI. I think that you said there is plenty of milk available if USDA would pay the price which is parity price.

Mr. HEALY. Well, I do not think they have to go that high, no, sir.

Mr. MAZZOLI. But something over the market price?

Mr. HEALY. No, sir. I think at the market price. The market price for milk today is somewhat above the support level, so it is a free market. The prices are set by the willingness of a person to sell and a willingness of another person to pay. Those prices are at about 80 percent of parity today.

I am saying that the Secretary of Agriculture, as another customer, could go into the market and buy at that price because that is a free market price today.

Mr. MAZZOLI. Is the implicit statement that he is not willing to pay the price for some reason?

Mr. HEALY. Apparently so. Apparently, because we have learned that he has again allowed cheese and other dairy products to be withheld from these schools when he has the authority to go in and buy at market price under section 709 for the schools.

Mr. MAZZOLI. On page 2, the top sentence, you say that rather than support this amendment to the National School Lunch Act, which could confuse the distribution process of commodities needed by the school, we suggest that.

What do you mean by confuse the distribution? Is that not semantics or are you referring to something else?

Mr. HEALY. What I mean is, suppose you commit funds to the schools, all of the funds which the act authorizes, and then the surpluses develop. Then we have not really keyed this money in well to what he will buy. He will buy food this summer.

Mr. MAZZOLI. In effect, he is not going to buy milk or dairy products in sufficient quantity.

Mr. HEALY. Yes; he will buy them.

Mr. MAZZOLI. In other words, you do not think State authorities, if they would be given x amount of money by letter of credit, that they would not buy appropriately for their students and therefore setting a limitation would be better?

Mr. HEALY. I guess really what I said was, "Let's make certain that they do, and I have an amendment here which really is drawn out of Department Regulation now, and then the schools will not be tempted to spend the money for candy bars and Coca Cola."

Mr. MAZZOLI. As I say, I am new to this intensely complex subject of what to do and how to do it, but I think it is apparently obvious that there is a lack of complete, if not understanding, at least the willingness to work together with school districts and apparently, there is a lack of trust or a lack of confidence one way to the other, which I am curious about, because today is the first time I perhaps saw that indication.

Can you speculate at this point, sir, as to any reason other than price that the Secretary would not have been willing to exercise his prerogatives under section 709, and purchase cheese and milk products which is the encompassing aspect of 709, and send them on to schools?

Mr. HEALY. No; I really cannot, I cannot believe that faced with a law and expressed desire of Congress that anything other than economics would dictate the actions of the Secretary of Agriculture.

Mr. MAZZOLI. Is it your feeling that in the absence of an amendment to 709, which would be your preferable solution, that this solution is—

Mr. HEALY. Yes. The program must be continued. It is good for so many reasons.

Mr. MAZZOLI. Thank you, sir.

Chairman PERKINS. Thank you very much. You have been most helpful to the committee.

We are going to move on this resolution as rapidly as possible, hoping to get it marked up tomorrow and before the full committee on Thursday.

[The following articles were submitted for the record.]

DEPARTMENT OF EDUCATION,
OFFICE OF SCHOOL ADMINISTRATIVE SERVICES,
Atlanta, Ga., February 22, 1973.

The Honorable CARL PERKINS,

DEAR CONGRESSMAN PERKINS: As Chairman of the Legislative Committee of the American School Food Service Association, I wish to express appreciation for your leadership in the enactment of legislation that moves us toward the national goal of "putting an end to hunger in America's classrooms."

It is extremely difficult to reconcile that goal with administrative proposals which could only serve to reduce Child Nutrition Programs. The most current obstacle placed before school food service administrators is that of reduced and delayed quantities and quality of USDA donated foods to schools. We wholeheartedly support H.R. 4278 and hope that it will gain support and immediate passage by Congress. I regret that I could not participate in the Hearings on on H.R. 4278. My views regarding the difficulties are contained herein.

The 8¢ contained in the 1973 budget for payments for lunches and USDA's assurance to the Senate Agriculture Committee in July 1972 that the commodity level would be 7¢ per lunch, provided schools a promise of 15¢ per lunch in federal support for the 1972-73 year. But that support was not forthcoming; the support has been nearer 11¢ per lunch.

Schools have experienced two types of problems with donated foods in 1972-73:

1. A delay or slowdown in receipt of basic commodities purchased under Section 32 and 416 of the Act. Schools normally receive flour, meal, butter, non-fat dry milk, beans, etc., in September or early October. Many schools are geared to preparing all their baked products which result in large dollar savings. For example, school baked bread costs only ½¢ per serving and purchased bread is 3¢. The schools, therefore, bake bread using USDA donated foods and save 2½¢ per lunch. Delays or cutbacks cannot be estimated in terms of raw materials; they must be estimated in terms of value to schools. Since these commodities were late and in many instances in short supply, the schools experienced deficits which they have not overcome, and will not overcome unless additional revenue is provided. Dougherty County (Albany, Georgia) school food service director reports a 2.8¢ per meal decrease in commodity used value through December 1972.

2. Decreased quantity of protein foods. Schools have received no beef and no cheese during this year. Although USDA has purchased more poultry, it is not possible to compare total pounds when the major item is poultry. To provide 2 ounces of meat for the lunch poultry yields only $2\frac{1}{2}$ servings per pound (because of bone and skin), whereas beef averages $5\frac{1}{2}$ -6 servings per pound. Georgia schools have received 37% less in dollar value in 1972-73 (through December) than in the corresponding period of 1971-72.

It is virtually impossible to effectively manage a food service operation when a large portion of the revenue is as instable as the commodity assistance portion of school food service. H.R. 4278 will help to stabilize the USDA food assistance level. I sincerely hope that Congress will enact this measure soon.

Sincerely yours,

JOSEPHINE MARTIN,

Administrator School Food Services, and Chairman, Legislative Committee American School Food Service Association.

MID-PRAIRIE COMMUNITY SCHOOL DISTRICT,
Wellman, Iowa, March 1, 1973.

Congressman CARL D. PERKINS,
Chairman, House Education and Labor Committee,
House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE PERKINS: I would like to urge your support for improving the status of the School Food Service Program.

Our receipts of federal commodities this year has been much less, some 35% down, than in previous years. A check of our records this year shows that we have not received any ground beef or ground pork in our commodity shipments. With the continual rise in the price of foods that we must purchase for our school lunch service, our cash outgo has been much higher.

If we do not begin to receive more commodities and/or an increased federal reimbursement rate, it will very likely be necessary for us to raise the lunch prices within the next several months. A raise in lunch prices would certainly defeat the purpose of the program.

I would certainly appreciate anything you could do to improve this very worthwhile program.

Sincerely yours,

D. DEAN CURTIS,
Superintendent.

[Whereupon, at 2:55 p.m. the subcommittee adjourned, to reconvene at the call of the Chair.]

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