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ABSTRACT

This is a comprehensive record of a hearing held before the General Subcommittee on Education on April 22, 1974. Its purpose was to hear testimony on H.R. 13168, a proposed amendment to the National School Lunch Act that would authorize continued purchase of commodities at market price for distribution to schools, domestic relief agencies, and other domestic food assistance programs. The Department of Agriculture proposed elimination of the commodity purchase program in favor of cash payments to enable food assistance programs to purchase their own commodities. Testimony was delivered by representatives of the Department of Agriculture, officials of various State and city school food programs, and a representative of the Peanut Butter Manufacturers and Nut Salters Association. Included in the report are prepared statements submitted by several of the witnesses, as well as by interested parties not present at the hearing. (JG)

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TO AMEND THE NATIONAL SCHOOL LUNCH ACT

HEARING
BEFORE THE
GENERAL SUBCOMMITTEE ON EDUCATION
OF THE
COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

H.R. 13168

A BILL TO AMEND THE NATIONAL SCHOOL LUNCH ACT, TO
AUTHORIZE THE USE OF CERTAIN FUNDS TO PURCHASE AGRICULTURAL
COMMODITIES FOR DISTRIBUTION TO SCHOOLS,
AND FOR OTHER PURPOSES

HEARING HELD IN WASHINGTON, D.C., APRIL 22, 1974

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*

U S DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
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TO AMEND THE NATIONAL SCHOOL LUNCH ACT

MONDAY, APRIL 22, 1974

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

The subcommittee met at 10:15 a.m., pursuant to call, in room 2175, Rayburn House Office Building, Hon. Carl D. Perkins (chairman of the committee) presiding.

Present: Representatives Perkins and Quie.

Staff members present: Jack Jennings, counsel; Marian Wyman, special assistant to the chairman; Eydie Gaskins, special assistant; Toni Painter, secretary; and Charles Radcliffe, minority counsel.

[Text of H.R. 13168 follows:]

(H.R. 13168, 93d Cong., Second sess.)

A BILL to amend the National School Lunch Act, to authorize the use of certain funds to purchase agricultural commodities for distribution to schools, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the National School Lunch Act (42 U.S.C. 1751 et seq.) is amended by redesignating section 14 as section 15 and by inserting immediately after section 13A the following new section:

"COMMODITY DISTRIBUTION PROGRAM

"Sec. 14. Notwithstanding any other provision of law, the Secretary, during the period beginning July 1, 1974, and ending June 30, 1976, may—

"(1) use funds available to carry out the provisions of section 32 of the Act of August 24, 1935 (7 U.S.C. 612e) which are not expended or needed to carry out such provisions, to purchase (without regard to the provisions of existing law governing the expenditure of public funds) agricultural commodities and their products of the types customarily purchased under such section, for donation to maintain the annually programed level of assistance for schools, domestic relief distribution, and such other domestic food assistance programs as are authorized by law; and

"(2) if stocks of the Commodity Credit Corporation are not available, to use the funds of such Corporation to purchase agricultural commodities and their products of the types customarily available under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431), for such donation."

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

The General Subcommittee on Education is beginning hearings on H.R. 13168 and related bills. These bills would authorize the Secretary of Agriculture to continue the purchase of commodities at market price for distribution to schools, domestic relief agencies and such other domestic food assistance programs as are authorized by law.

(1)

Donated foods have been a very important part of the school lunch program for over 30 years. In the current period of reduced food supplies and high food prices, it may be good policy to continue a reasonable level of government procurement and distribution of certain food items such as canned fruits and vegetables, protein items and other foods which are used to fulfill the nutritional requirements of the school lunch program.

At a time when school lunch programs are beset by financial problems caused by spiraling costs of food, labor, transportation and storage, it seems to me that we should not place upon them the added burden of replacing federally purchased commodities with foods obtained at higher prices in wholesale and retail outlets locally without the advantages of Federal purchasing, quality control, standardization, and market expertise in the bidding, selection and buying processes.

Following are excerpts from a few of the many letters I have received from all over the country on the question of dollar-for-dollar comparisons between USDA foods and the equivalent in cash:

From the Seafood School District, Seaford, Del.:

It has been stated that cash payments in lieu of commodities be given to the schools to purchase on the open market. We in school food service know that at the present prices of food, which are continually rising, it would be impossible to buy the commodities we are now receiving at the lesser prices compared to the large volume purchases made by the USDA. For example:

	USDA cost F.O.B. destination	Local price
Butter -----	\$20.69	\$25.60
Shortening -----	10.82	14.40
Flour -----	5.07	10.00
Rolled Oats -----	3.34	14.40
Dry Beans -----	12.73	32.00
Peanut Butter -----	15.88	22.08

From Clay County, Ky., public schools:

To purchase and get delivery of foods comparable to commodities is an impossibility in our rural area. The number of food service companies is so limited that even though money should be available, we are unable to purchase these foods.

From the Johnson County, Ky., schools:

USDA foods provide variety in meals which we could not have otherwise. It is imperative that we continue to receive meats, fruits, vegetables and dairy products if our School Service programs are to continue.

The committee would like to know the views of the Department of Agriculture on H.R. 13168, and would be interested in the alternative proposals which are in the process of being finalized for presentation to the Congress.

Our first witness is Mr. Edward J. Hekman, Administrator of the Food and Nutrition Service. Please come around, Mr. Hekman. We are delighted to hear from you and the Department of Agriculture. If you have other witnesses with you from the Department that you want to bring around, you go right ahead and identify them.

STATEMENT OF EDWARD J. HEKMAN, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY JAMES E. SPRINGFIELD, DEPUTY ADMINISTRATOR, USDA; WILLIAM G. BOLING, ASSOCIATE DIRECTOR, CHILD NUTRITION DIVISION, FOOD AND NUTRITION SERVICE; AND JUAN DEL CASTILLO, FOOD DISTRIBUTION DIVISION

Mr. HEKMAN. Thank you, Mr. Chairman.

With me on my right is Mr. James Springfield, Deputy for Programs in the Agency; to my left is Mr. Boling, Jerry Boling. He is Associate Director of the Child Nutrition Programs; and to his left is Mr. Juan del Castillo, head of the Food Distribution Division of the Agency.

If I may, Mr. Chairman, perhaps it would be well if I read this statement.

Chairman PERKINS. Go right ahead.

Mr. HEKMAN. We welcome the opportunity to meet with you today to discuss our views relating to H.R. 13168.

The proposed amendment would authorize the Department to purchase agricultural commodities to maintain the "annually programmed level of assistance * * * for domestic food assistance programs" until June 30, 1976. In our judgment the real need now is to move promptly toward developing other more efficient, effective systems for meeting food assistance needs—systems that are more compatible with present trends in agriculture and food production.

My testimony today will report to you on the background and plans for accomplishing our objective, to phase out commodity distribution by June 30, 1975. Traditionally, the term "commodities" has come to mean the surplus foods that farmers could not sell without depressing prices and which were purchased by the Government as part of the price support program. The Government then disposed of these surpluses through what has come to be known as the Federal-State food distribution program.

We won't get into too much of the history of these programs, Mr. Chairman, because I know how long you have been associated with them, and how well you are acquainted with their history. I am sure you recognize a similarity of circumstances, now—to those that led to the formal establishment of the school lunch program in 1946.

Until that time the support that the Federal Government had given to school lunches was mainly in the form of commodities—the commodities that had been acquired in the efforts to deal with surpluses. But that kind of support ran thin especially during World War II and its aftermath, when we had tremendous food obligations literally around the world.

That situation led at that time to the introduction of cash payments into the Federal Government's support structure for school lunches. And now we are facing a similar situation. We think the solution that was found—to supply cash in lieu of commodities—is sound and useful now, as it was then.

In the intervening years, as food surpluses mounted, we actively sought new outlets for them. The list of surplus food users gradually broadened to include not only schools and needy families, but numerous other special categories including summer camps and recreation programs, day care centers, hospitals, homes for the aged and other charitable institutions, disaster relief agencies, and more recently meals on wheels and group dining programs for the elderly, along with supplemental food programs for women and young children.

Now, what was once referred to as the "farm problem" has completely turned around with the significant changes we have experienced over the past 18 months in the worldwide supply-demand situation for agricultural products. Backed by the enactment of progressive farm legislation in 1970 and again in 1973, farmers are responding to the growing market demand for food with all-out production of crops. The changing farm situation has obviously had a major impact on the need to support farm prices through the purchase of commodities and, hence, on the amount of federally held food.

Today the Federal Government simply does not have access to large surpluses of food at bargain rates, as we did in the past. In fact, our efforts to purchase food, even at market levels, are facing stiff competition. As a result there are times that the USDA receives no bids at all on its offers to buy. In the face of this reality, it does not seem to make sense for USDA to compete in the marketplace and then transfer the products to the final users as opposed to providing cash to the users so that they can do their own procurement.

For the current year the special purchase authority Congress provided in the Agriculture and Consumer Protection Act of 1973 has enabled us to maintain the annually programmed levels of assistance for schools and other domestic food assistance programs. But we are attempting to make workable a system that is struggling under changed circumstances of need and availability.

The real question becomes, then, how do we deliver the maximum in nutritional benefits for the least possible cost? We have already gotten the answer to that question insofar as family food assistance is concerned, with the mandate you gave us in the 1973 farm bill to transfer all remaining food distribution counties into the food stamp program by June 30, 1974.

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

There will have to be a few exceptions, as the law allows, in the timetable for implementing a nationwide food stamp program. But we are working with our State cooperators for a smooth orderly transition from food distribution to food stamps. Our goal is to accomplish the changeover with a minimum of disruption for the families involved. To do this will require some continued commodity distribution during the transition period.

In adjusting to the changing commodity picture, the prime area of consideration is clearly the school feeding programs. Over the past several months we in the Department have conducted a thorough re-

view of the situation, with considerable input from our cooperators in State governments. As I pointed out earlier, we have looked at the question in terms of: How can we provide the most in nutritional benefits for the least amount of money?

After full review and consideration of the issues involved, we concluded that—for the present and in the foreseeable future—we can more effectively help meet nutritional needs through cash assistance to child nutrition programs than we can through attempting to procure and distribute food from the Federal level.

Food can be procured most effectively by schools and agencies at local and State levels for these reasons:

Our inability to acquire foods traditionally available under price support and surplus removal programs at the bargain rates once available to the Federal Government.

The high overhead cost of maintaining the administrative machinery for commodity procurement, both at the Federal and State levels.

State and local school systems already have effective procurement systems of their own, since they now handle the buying of 80 percent of the food used in their school lunch programs. Federally donated commodities represent only about 20 percent of the food used in these programs.

Our major task then is to plan for a period of transition during which State and local school systems can gradually assume responsibility for procuring the remaining 20 percent of the food used in their programs. We have consulted widely with our cooperators and food services professionals in outlining the steps that must be taken in managing this period of change.

These future plans will be developed in full appreciation of all that has been done in the past through commodity distribution, recognizing that such a program cannot—and should not—be terminated abruptly.

Rather, we think it is more appropriate that we plan and budget for a commodity “phase-down” year. We will plan a gradual reduction to reach the goal over the next 12 to 14 months. And we have set June 30, 1975 as the target date for completion.

The legislation being considered by the committee today would provide the Department with permissive authority to buy agricultural commodities to maintain the annually programed level of food assistance over a 2-year period.

We favor the concept of such an authority for a 1-year period to assure a smooth transition as we phase out commodity distribution. And we intend to submit legislation to Congress shortly that will include such a provision plus specific terms for replacing commodity distribution to schools with cash assistance.

Thus, our proposal will seek a 1-year extension of the permissive authority available to the Department this year to buy commodities at “nonsurplus” prices. This would help insure that we will be able to provide a satisfactory level of commodity support to the schools, at least early in the school year. It would also help assure sufficient food variety in the supplemental food program and in the needy family package as long as that program is required in a few areas.

Additionally, the legislative package will encompass details of the following plans developed in conjunction with our State cooperators to replace commodity distribution to schools with cash assistance. The objectives are:

To provide cash assistance sufficient to continue the level of support we have been providing in commodities at a cash value of at least 7 cents a meal. Then we will add in the savings in Federal administrative costs realized from phasing out the Federal procurement and distribution program;

To retain the principle of performance funding;

To provide such funds without an additional matching requirement by the States;

To insure flexibility in the way funds are provided so that the States may do whatever they choose with regard to maintaining or establishing a procurement program (including the option that some States might cooperate on a regional basis in the procurement of commodities), and;

To maintain the integrity of the child nutrition programs by channeling the funds into food "on the plate." In other words, such funds will be targeted exclusively for use in the child nutrition programs.

Looking at the potential impact of this legislation on the supplemental food program, the special purchasing authority would enable us to continue operating that program substantially as it is for the next year, as we consider alternative means to assist the women and young children taking part in the program.

The specifics of such a plan will undoubtedly depend on the outcome of our evaluation of the new special supplemental food program for women, infants and children. That is now getting into full operation and we will, of course, make a full report of our evaluation to Congress. The findings should prove useful in helping to shape the direction of future programs to aid women, infants and children.

Food for disaster relief assistance is clearly of widespread and serious concern to all. There is broad, general agreement that we must give all possible aid to those unfortunate enough to be victims of the inevitable tornadoes, floods and similar disasters that strike our homes and communities.

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

The Federal Disaster Assistance Administration Agency (FDAAA) of the Department of Housing and Urban Development now has the principal Federal authority for coordinating disaster relief plans and operations. We have been consulting with them as they develop plans to manage the food aspects of their emergency assistance responsibilities. But the administration recognizes its re-

sponsibilities in this area, and we will continue to be sure that food assistance is available where there is need for it.

Overall, however, in view of the current production and marketing picture we believe the public interest will best be served by phasing out Government procurement of food for food assistance activities, but obviously not before we have laid careful plans for alternative forms of assistance to our program cooperators in State and local agencies. We will keep this committee thoroughly informed of our progress in this area.

Thank you very much.

Chairman PERKINS. If I understood you correctly, you are asking for a 1-year extension, giving the local educational agencies complete authority to purchase commodities.

Mr. HEKMAN. Our plan, Mr. Chairman, as I indicated in my statement, would be to submit legislation to the Congress that would define the type of a transition from commodities to cash so the schools would be assured of all of these points that I have enumerated.

Part of that legislation, Mr. Chairman, would include a request to the Congress for a 1-year extension of this authority.

Chairman PERKINS. What do you estimate would be the administrative cost per meal as a result of the phaseout of the commodity program? That is the big item here as I see it.

Mr. HEKMAN. We are presently, Mr. Chairman, making a still more detailed study of that through the Office of the Secretary. Our preliminary figures indicate that it would be somewhere in the range of \$10 to \$12 million of Federal money. Besides that, we are attempting to determine also what the cost is at the State level. In other words, the Federal commodities go to a State warehouse, what are the costs beyond that? We feel that information would also be helpful to the Congress.

Chairman PERKINS. Go ahead, Charles.

Mr. RADCLIFFE. Mr. Hekman, at that point isn't it true there would continue to be a State commodity distribution system? Isn't that pretty well established as a part of this school service program? I guess my question is could you count on completely eliminated administrative costs of food purchases at the State level?

Mr. HEKMAN. The legislation that we would hopefully submit to the Congress within the next few weeks looks toward a complete phaseout by the end of 1975, but with a very definite understanding that a part of this money, as it moves into the State, could be used to set up its own program for the purchase of commodities if a State should wish to do so. Moreover, there is already some interest in regional approaches to do that.

We feel that the States, if they would want to go into this, are in a lot better position to make a program that is flexible for the schools, much more than the Federal Government. For example, with the authorities we have, we are limited as to the amount of processing that we can pay for. Those same considerations wouldn't prevail at the State level. So we feel that if a State or a group of States would want to use this money to purchase commodities, that would be strictly their choice and with the understanding, as my statement points out, that whatever money moves to the States in lieu of commodities would be

money that would end up on the plate. In other words, under no conditions is this going to get mixed up with band uniforms or anything like that.

Chairman PERKINS. Any further questions?

Mr. RADCLIFFE. No, Mr. Chairman.

Chairman PERKINS. I would like to pursue this a little further. Of course, the commodity bins have been empty for the last 2 or 3 years and it has been necessary to give the local governments permission to purchase to carry on the school programs. But let's assume that we have a bumper crop this year, and a bumper crop next year. How do you plan on implementing an alternative cash plan when future surpluses occur?

Mr. HEKMAN. I am sorry, Mr. Chairman, that someone like Dr. Yeutter, who is an agricultural economist, can't respond to that because the Foods and Nutrition Service is virtually a delivery service. We don't keep records of the costs, the availability of products. That is not our responsibility, but I will try to answer in this way. The legislation that we would plan on sending to the Congress would look into what we think is a viable way of doing this, through a voucher system. That would be something obviously that we have to try and feel out during this year. This so-called phaseout year, would give us the opportunity to try a voucher system.

But as to the details, frankly they have not been worked out. As you know, we have had a good bit of experience with vouchers and we have indicated to the Secretary that we think that it is a viable approach.

Chairman PERKINS. But how would you handle the physical problem of delivering purchase vouchers on a timely basis to thousands of schools?

Mr. HEKMAN. As I have indicated, we are giving thought to that and we do feel we have 14 months to try to demonstrate to the Department and to the Congress that it will work. Now just how that will be, or what items a voucher will be used for would not be our decision. That would be the decision of the Secretary and the CCC. But I think I am on firm ground, Mr. Chairman, when I indicate that we have expertise in this area.

We are using it with other programs and we think this is certainly one of the ways that we ought to be looking at, because we are conscious of the possibility of surpluses. But again, in this area I just feel that further questioning on that really should be directed to someone like Dr. Yeutter.

Chairman PERKINS. How could you insure that the schools use the vouchers to purchase the specific variety, grade and quality of items designated to be purchased under the voucher program?

Mr. HEKMAN. It has been our experience with the food stamp program, which is basically a voucher program running at \$4 billion, and with the WIC program, that it is as easy to distribute paper as commodities. All the paper is, is a way to buy commodities. I think if we do it, there might be some substantial benefits, whereas when we buy, we have to specify a certain label, a certain size can and so forth. It fits some schools and doesn't fit others. In fact, the GAO was commenting recently that we didn't buy things in large enough containers. It is that type of flexibility that is hard to build into a government

procurement program, Mr. Chairman. But under a voucher program, I am hopeful we can build some flexibility into the actual procurement.

I am not saying it is going to be easy for us to figure it out, but I think with some of the people here with me and others we can do it. We have had a great deal of experience in the Department with voucher programs.

Chairman PERKINS. What system of procedure would be used to reimburse the vendors that sold the designated voucher items to the schools?

Mr. HEKMAN. As I have tried to indicate, Mr. Chairman, we don't have that figured out in detail, but I am sure as we figured it out to pay the vendor in the WIC program and to pay for \$4 billion worth of stamps and see that the grocer got his money, we can do it with 100,000 schools and considerably less school districts.

Chairman PERKINS. Do you have any questions, Charles?

Mr. RADCLIFFE. No, Mr. Chairman.

Chairman PERKINS. Can you get some language to us in the next 2 or 3 days? We can probably report this bill from subcommittee this week.

Mr. HEKMAN. I will bring that suggestion up.

Chairman PERKINS. Our next witnesses are Miss Josephine Martin, Administrator of the School Food Service Program, Atlanta, Ga., and Mr. Vern Carpenter, Director, Iowa School Food Service.

STATEMENTS OF JOSEPHINE MARTIN, ADMINISTRATOR, SCHOOL FOOD SERVICE, ATLANTA, GA. AND VERN CARPENTER, DIRECTOR, IOWA SCHOOL FOOD SERVICE

Miss MARTIN. Thank you, Mr. Chairman. I am Josephine Martin, Administrator of the School Food Service Program for the Georgia State Department of Education. I am also testifying today as chairman of the legislative committee of the American School Food Service Association.

With the continuing leadership of you and the members of this committee, fantastic progress has been made in the child nutrition programs, but unfortunately economic problems have impacted the child nutrition programs and we have not achieved all of the objectives that we have set for ourselves.

I am grateful for the opportunity of testifying today in support of the legislative proposals directly affecting the school lunch and child nutrition programs. Quite frankly I had hoped that there would be no need for any major school lunch legislative proposals for some time after the passage of Public Law 93-150, which included major reforms for school food service funding.

But we continue to encounter cost factors which are beyond our control. Although Public Law 93-150 held great promise for reaching additional children with school meals, the inflationary costs made it necessary for most schools to increase pupil sale prices in September 1973 or January 1974. This sale price increase adversely affected pupil participation. Admittedly there are multiple factors involved in participation. However, one-half million fewer paying children are eating lunches now than last year.

The increased sale prices have had their greatest impact on children from middle-income families. And now we have this proposal to phase-out commodities. As you are well aware, wholesale food prices have increased 20.6 percent from 1972 to 1973. The USDA now forecasts food price increases in the current year at about 12 percent. Other forecasts are as high as 20 to 25 percent. Moreover, the school lunch program has been especially hard hit by price increases in protein foods which, by law, must be served as part of each type A lunch. In this connection, I would like to cite some increases in protein food prices for the last quarter of 1973 over the last quarter of 1972. These data were published in the February 1974 issue of the USDA's National Food Situation: meat prices increased 28 percent; poultry prices increased 36.4 percent; dairy products, up 19.9 percent; and eggs, up 49.1 percent.

Prices of other foods, of course, have increased substantially, but let me try to bring this situation into perspective by one single example.

In this current fiscal year school lunch programs across the country are paying at least 1 cent more per half pint of milk and in many places 3 to 4 cents more than in the previous year. Milk must be served as a part of each meal; this one item has increased the food costs for the entire school lunch program by \$40 million for this school year—offsetting the increase in section 4 funds.

And another increased cost factor has entered the picture. The energy crisis has resulted in constantly increasing costs of providing gas and electricity in order to operate refrigeration equipment, kitchen ranges, steam kettles, steam cookers and other equipment required to store, prepare and serve food to some 22 million children eating lunches daily. Many school districts are effectively utilizing central preparation of lunches and transporting these lunches to satellite schools by specially equipped trucks. The very sharp increases in the cost of gasoline are, of course, directly affecting the costs of producing lunches and delivering them to students in participating schools. And, according to the Federal Energy Administrators, gasoline and fuel prices will continue to increase in the months ahead.

And now school administrators are faced with implementing the new minimum wage law which will cost at least 2 cents per lunch even with very high productivity of 20 meals per man-hour. School Food Service personnel need the increased wages, but there are no provisions to finance the 25 percent increase in labor costs except by increasing sale prices to students, which inevitably cuts out paying pupils.

Public Law 93-150 changed the financial help for free lunches from a 40-cent minimum to a 45-cent average. This averaging concept has meant that many major school systems are getting no more or even less money than they received in fiscal year 1973. Reductions in the rates plus the escalated costs will surely try even the most competent operator's ability. I fear the quality and the quantity will deteriorate.

To compound these difficulties the USDA has now indicated that it plans to phase out food donation to schools in fiscal year 1975. I will not go into detail on this issue because it will be fully covered by Mr. Vern Carpenter, director of the school food service program for the Iowa Department of Education. Mr. Carpenter handles the distribution of USDA-donated foods in that State. In Georgia the food distribu-

tion is handled by another unit in the State department of education.

The American School Food Service strongly supports legislation to extend the special commodity purchase authority contained in the Agricultural Act approved last summer.

Only day before yesterday I met with Mrs. Shinn, Dade County, Fla., SFS director, and supervisors and directors in Jacksonville in discussing the administration's proposal to phase out commodities. Our director commented she is in support of food distribution as a part of financial assistance to schools. She indicated that food shortages encountered during the school year has left food service directors in a position of not being able to secure foods through normal distribution channels.

The commodities during this year assured the schools of certain foods, often not available from commercial channels.

Mr. Chairman, it would seem to me that the Nation's children should receive a high priority on our food supply. The continuation of donated foods as part of financial assistance is one way of assuring that food for children has a high priority of allocation in the Nation's food supply. The legislation you are considering today would insure that schools would receive either cash or commodities in the next fiscal year.

I would like to touch briefly on two other matters. First, in passing Public Law 93-150 last fall the Congress approved a 1-year provision to increase the eligibility standards for reduced price lunches to 175 percent of the income poverty guidelines. Under this provision children from lower middle-income families are eligible to receive the type A lunch at a price of 20 cents or less.

It was only possible to implement this provision beginning January 1 of this year; 38 States implemented this provision of Public Law 93-150 even though it was announced late. In Georgia the response from local school systems has been enthusiastic. In most instances, wherever it has been tried, participation has increased. I am particularly pleased to report that schools in Appalachia are showing positive results with the extended guideline. However, many school systems have not wished to initiate this new provision for only a few months.

Senator Case has introduced legislation to continue this provision (S. 3246). In introducing the bill recently he indicated 15,000 middle-income children in New Jersey now benefit from this program that did not benefit prior to this legislation. We strongly endorse legislation to make this provision permanent as in my judgment it is essential to keep school meals available to children from moderate income families.

Second, I would propose that section 5 of the Child Nutrition Act (nonfood assistance) be amended to increase the appropriation authority for fiscal year 1976 and, thereafter, from \$20 million to \$40 million. Under present law the appropriation authority is \$40 million in fiscal year 1975 and declines to \$20 million in the following fiscal years. As you know, actual appropriations in recent years have fallen far short of the \$40 million authorization.

The USDA has requested only \$22 million for nonfood assistance in fiscal year 1975. However, the recently released USDA special study requested by the Congress shows that schools nationwide need \$177 million to install or upgrade school food service equipment. It is my

understanding that the study indicated that no-program schools need \$22 million for equipment. Unless this authorization is extended, getting meals to all children will be a long-range dream. Why should the schools that have begun programs be penalized?

The third point I would like to mention has to do with requirements. Earlier today it was indicated by Mr. Hekman that the Department's phasing out of commodities would exclude the commodity value from matching. Commodity value has never been matched with local or State funds. At a time when the present matching formula is placing a severe strain on the school food service, it is imperative for the school programs, if they are to continue to serve children, that no further requirements be established which would place a larger burden on paying children in the form of matching. In fact, those requirements need to be studied and legislation enacted which would relieve the poorer States of the matching burden presently imposed.

In conclusion, Mr. Chairman, let me say again how much I appreciate the opportunity to appear before this subcommittee and express concerns which are on the minds of school food service personnel all across the country.

Thank you very much.

Chairman PERKINS. Thank you, Miss Martin. You have given us some excellent testimony. Can you give us an idea of how much more per meal a commodity donation system would yield than an equivalent cash donation?

Miss MARTIN. That is a very hard question to give a direct answer to. Perhaps Mr. Carpenter has some figures which would provide information.

Mr. CARPENTER. For the school that makes the best use of commodities, they can take that 7 cents worth and turn it into about 10 or 11 cents worth because, as you know, certain of these items you get in unlimited supply, such as flour, some shortening and some of the other items. So we are speaking about a 7 cents that might be worth 10 cents to those that use it to best advantage.

Now if the USDA gives the schools the 7.5 cents in cash and they are unable to purchase as efficiently and effectively and get the quality of product that the USDA does, that 7.5 cents may be worth only 5 cents, so the difference between the two would be about a 5 cent loss where it is used most effectively.

Chairman PERKINS. One further question. May we have your comments concerning the Department's proposed voucher system from the point of view of administrative problems on the State level and on the local level?

Miss MARTIN. I think Mr. Carpenter and I both would like to react to that question. First, there are many unanswered questions about the voucher system. It would seem to me that we could not be assured that the foods would be available in the localities even though there was a national surplus. For example, using Georgia products, if there is a surplus of peanut products in Georgia and school districts in some other parts of the country receive vouchers to purchase peanut products, I do not see how you can assure that the peanut products are going to be in the Midwest or Northwest at the time the surplus exists in the peanut-growing States of this Nation.

So I think making the food available where it is needed would be a problem.

Second, I think there would be a real administrative problem in getting the vouchers to the States and to the local school districts in a timely manner. I could foresee a lot of administrative problems in connection with a voucher program.

Chairman PERKINS. Mr. Quie?

Mr. QUIE. Thank you, Mr. Chairman.

It is good to see you again, Miss Martin.

Miss MARTIN. Thank you, sir.

Mr. QUIE. One question I have. In the purchase of foods I understand the main reason why the various school food service people would like to see a continuation of the Department of Agriculture purchase of commodities is that you can get more for your money that way. As indicated, you would have to spend 10 or 11 cents to get the same amount of food if you bought it directly from the school districts. What about the State of Georgia? Is there any attempt there, since volume buying does save money, for the State of Georgia to do the purchasing for the school systems so that on foods over and above what is made available at the average 7.6 cents is made available in the State of Georgia?

Miss MARTIN. Georgia is traditionally one of those States that believes in local control and there is a strong feeling of opposition toward any statewide program of school food service or State purchasing for school food service. We have made no attempts to enter into a statewide purchasing program and even if the USDA's proposals to allow the States to establish a State purchasing program materialized, I doubt if this would ever receive any attention in the State because of two things. Most of the local superintendents wish to retain local control of the food purchasing and, the second thing, by having the purchasing done at the local level, the purchasing is helpful to many vendors: whereas if it were done at the State level, only a few vendors would have the school food service business. This way the school food service is a program that vendors, farmers, and everyone supports and believes in because it not only helps provide nutritious food to children, but helps the local economy.

Mr. QUIE. By that, it sounds as though they would like to have the Federal money given in cash so they could help their own vendors, too. I can't see the difference between the U.S. Department of Agriculture and your State department of education.

Miss MARTIN. It is a matter of degree. The local superintendents realize that there are certain foods that they use in large quantities, such as the staple foods the Department has been buying, the flour, the grain products, the dairy products, et cetera. They also appreciate the fact that the USDA purchases quality foods. This sets a certain standard of quality that local vendors must live up to.

Then the third thing, in a time of food shortages such as we have encountered this year, the availability of donated foods has assured the schools of having certain foods there at a certain time, whereas in some parts of the State it was impossible to get delivery on certain items, particularly protein items.

Mr. QUIE. Couldn't the State department also go out and buy the proteins that it wanted?

Miss MARTIN. Yes, they could; but if each State department in the Nation established its own purchasing procedures, then rather than having one national purchasing system as we now have through the

food distribution program, we would have 50 different administrative organizations purchasing, establishing inspection programs, et cetera.

So it just appears to those of us who have looked at this from the school food service point of view—what I am about to say sounds very dangerous—that there is less politics involved if you have one national system of purchase and more objectivity than if you had 50 local State systems of purchasing.

Mr. QUIN. That is the first I ever heard of less politics on the Federal level than the State level. I see a lot of politics around here and in the Department of Agriculture.

I find that you would like to have one national standard for the 7.6 cents worth of food. You have more than 50, there is a host out there, so you have great variety. I am certain we are going to extend the authority for the Department of Agriculture to buy commodities. As the Department of Agriculture looks at ways where this could be handled some Federal way, I think the Federal Government ought to continue its financing at the level it has now.

I am not talking of reducing Federal support for the school lunch. I am glad we have the escalator in there that so that as the cost of living goes up, the Federal Government continues to bear its share. But beyond that, there ought to be a means other than every school doing it or letting the Federal Government do it.

The arguments you make ought to be for perhaps more local or State control. I know there is politics involved and when you are not used to working through the State, it gives you a little pause to think of new people to work through. Nobody likes to do that, they like to work where they have traditionally. But if there is a good argument to buy in volume, and it seems there is, I will buy the figure you used, 10 to 11 cents, which seems pretty close to what it would be. If that is the case, it seems the schools could save much more money if the State of Georgia purchases it.

Just looking at Georgia's problem and the clout that your school food service people have in the Congress, I imagine it could be developed just as well in the State legislature. Those people like to get neglected, too.

Miss MARRIN. I guess I shouldn't get into discussing Georgia polidistricts and many of these districts, are very small and have been very most States have, I suppose. I think the fact we have 188 school districts and many of these districts are very small and have been very reluctant to join forces across district lines for any other educational services. It is highly unlikely that this segment of education would be perceived as something that should be centralized and coordinated either at the State or a larger district level when other aspects of education have attempted to get this kind of coordination and have not been successful in doing this.

I realize that there is some ambiguity in what I am saying, where I am indicating local control and still saying that I believe that it is feasible and advisable for the Department to continue a part of its financial assistance in the form of food distribution. I would come back to the three points: No. 1, that the Federal purchase of commodities does set a standard of quality for local school systems to use in purchasing food; and second, we are able to get greater value out of

the commodities by maximizing the use of them. In Georgia we have an extensive breadmaking program and we hardly buy any bread, cakes, or cookies because the schools make those.

So we do believe it is advisable to continue this portion of the assistance in the form of foods.

Mr. QUIN. If the Federal Government should settle and become much more generous and add another 8 cents for all lunches—some people recommend we should pay for all lunches—do you think it would be wise to add the amount that went to the purchase of commodities, or should we add that 8 cents to the increased cost of living or cash contribution under section 4?

Miss MARTIN. Your question is: If we were to get 8 cents plus the present 10 plus 10 for section 4 and 7 for commodities, would we prefer it in cash or commodities?

Mr. QUIN. Yes.

Miss MARTIN. That is a very provocative question. I would think that considering the present food shortages and the legislation that provides for cash in lieu of purchase of commodities, that it would be highly unlikely that the Department would be able to go out and buy that quantity of foods. Therefore I personally feel that it would be as effective to the schools to have the additional 8 cents in the commodity budget that would be included in cash in lieu of commodities if the appropriate commodities could not be purchased.

Mr. QUIN. So you prefer it in cash?

Miss MARTIN. If the Department could purchase foods and make them available to the schools, we would be just as happy to have the foods for the additional 8 cents.

Mr. QUIN. That is putting an "if" on the Department, because you know some years the Department has less available. I mean, sometimes there are less surpluses while at other times there are more. Suppose people continually reduce their consumption of beef as they did last summer? We may have considerable increases in the purchase of beef in the future and, then again, people's diets might be such that they increase their consumption of beef and we thus have less available.

Without regard to the availability, could you answer whether you prefer cash or commodities on the additional amount?

Miss MARTIN. This is assuming the foods are available?

Mr. QUIN. Yes.

Miss MARTIN. I think we would be happy to have the commodities because the schools must serve a third of the child's daily requirements and the Department has demonstrated that it has the capacity to purchase the foods that can be used by schools. If the Department could provide 15 cents worth of commodities and 10 cents worth of cash, we would be happy to have 15 cents worth of commodities.

Mr. QUIN. Now what about the 10 cents in cash? Do you think it would be preferable that we shifted that to commodities?

Miss MARTIN. No, sir. I do not, for the simple reason that one of the requirements of the type A meal, whether breakfast or lunch, is that it must include a half-pint of milk, and right now many schools across the Nation are paying close to 10 cents for a half of pint of milk. The 10 cents cash is essential simply to purchase milk at the local level.

Mr. QUIN. You pay substantially out of your local money then, too, when you figure the 17 or 18 cents you get in commodities and cash?

Miss MARTIN. That is correct, and the State is paying 5 cents per meal to assist with the labor costs.

Mr. QUIG. Let me ask you a last question. If you had a choice between getting 11 cents in cash or the 7 cents in commodities, which you indicated was the amount it would cost you if you were to buy it directly for the 11 cents, what would you prefer?

Miss MARTIN. I would still prefer the legislation that we have, commodities to the extent the Department could make the purchases and the difference between the amount that could be purchased in cash.

Mr. QUIG. You would prefer then getting the commodities they could provide, plus whatever is left of that 7.6 cents in cash?

Miss MARTIN. Yes.

Let me be sure I understand. We are speaking only of the funds budgeted for commodities, we are not speaking of funds in section 4?

Mr. QUIG. It is my understanding there is about 7.6 cents worth of commodities purchased if they use their whole budget. That is, the amount of commodities that would be distributed. But if they don't use the whole budget for commodities, the remainder is distributed in cash and the school may get a penny or two in cash.

Miss MARTIN. That is correct.

Mr. QUIG. This was to either continue that or be able to continue the total amount in cash. As it is now, the Department could buy nothing if you get 7.6 cents in cash, but have the alternative to go to 11 cents in cash instead. You would prefer the commodities?

Miss MARTIN. I would prefer the 11 cents value budgeted for commodities with the Department purchasing.

Mr. QUIG. You can't have it both ways.

Miss MARTIN. The Department purchasing those foods if possible and making up the difference in cash.

Mr. QUIG. I realize you would rather have 11 cents rather than 7.6 cents. I should say 15 cents, the proposal has an additional 8 cents. If you have a choice between the two, I gather you would prefer having the commodities?

Miss MARTIN. Yes.

Mr. QUIG. Thank you.

Chairman PERKINS. Thank you, Miss Martin.

Our next witness is Mr. Vern Carpenter, director of the Iowa School Food Services.

Mr. CARPENTER. I will make a short summarized statement and my prepared statement may be put in the record.

Chairman PERKINS. That will be done without objection.

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

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

Mr. Chairman, I wish to thank the committee for the opportunity to testify at this hearing today and also for the committee's past support

of child nutrition programs. Most recently, the passage of Public Law 93-150 last November provided, among other benefits, increased Federal reimbursement rates and an escalator clause. Schoolchildren throughout the Nation have already benefited from your positive action.

Further, the 11-cent purchase of commodities has stayed for the last 11 years. This is why we recommend a guarantee of commodities at the 10 cent level with an escalator clause. Distribution should be based on performance. If you serve the meal, then you get the commodities.

We did discuss a moment ago the negative results that this USDA proposal could mean to schools that have been using commodities to the best advantage. The USDA has mentioned a voucher system. The logistics of having USDA vouchers mailed to school districts participating in a child nutrition program appear gigantic in size and complicated in implementation. At this point of time their office is trying a computerized method of mailing checks to the nonpublic schools in certain States administered by the USDA. Information available is that they are experiencing no little difficulty. This is also understandable.

I do not say this derisively. I point it out merely for comparison. Anyone who was trying to do that and get it started would experience problems.

One alternative is for the USDA to issue an authorization to State agencies to issue vouchers to each participating school. This procedure might well require additional personnel in each State agency if each State were required to, or if each State were asked but not required to, have their centralized purchasing agent purchase these commodities.

I know what our State agency would say. They would say: "Fine, furnish us the necessary manpower." Writing food specifications is most difficult. The accounting required at the State level to account for each voucher and establish and audit it would be extensive, even though the time element were not considered.

We do not like to look at any proposal negatively. However, should an existing system be jumped until a subsequent system has been outlined, discussed and thought through, and yes, even tried on a pilot basis? If the voucher system didn't function initially, where would we be?

Another problem as we see it is this. Surpluses come and go and it is possible that we could have surpluses within a year. If anything is in surplus, it is not where it is needed or it wouldn't be in surplus; and further, it must be moved and redistributed. This requires a distribution system.

This raises the question of a recent announcement by the USDA to purchase \$45 million worth of beef, which we were most pleased to see because we need it. Incidentally, hog prices are down also. Had all States abolished their distribution system, this purchase of \$45 million worth of beef would have been futile.

In closing, our association does not consider child nutrition programs to be welfare programs. We believe these programs should be considered as directly benefiting children, although certainly parents benefit indirectly. Welfare payments are made to adults or parents. These are examples of how a taxpayer's dollar directly benefits children. A person needs only to observe a child eating lunch at school to realize his tax dollars were for a worthy cause.

A news item appearing March 16, 1974, in the *Des Moines Tribune* under the byline of David Hless, listed 22 poverty-related programs that either have not been funded or were incorporated, transformed, transferred or delegated to another Federal agency.

We hope the child nutrition programs do not suffer the same fate. Cutting off Government commodities could be the first step. A transfer of child nutrition programs to the USDA could be the second step and complete deemphasis could be the third and final step. So we are here seeking your help and assistance in preventing this from happening.

I have data with me concerning food prices of lunches, attendant food prices and such which I will be happy to present if time permits. I will be happy to answer any questions.

[Complete statement follows:]

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

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

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

Mr. Chairman, I wish to thank the Committee for the opportunity to testify at this hearing today. And also, for the Committee's past support of child nutrition programs. Most recently, the passage of Public Law 93-150 last November provided, among other benefits, increased federal reimbursement rates and an escalator clause. School children throughout the nation have already benefited from your positive action.

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

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

Announcing that commodities might not be available after June 30, 1974, may have been part of the Administration's strategy because it was generally understood that even though the law required a complete conversion to Food Stamps by July 1, 1974, this conversion might not be completely accomplished by that date. If not accomplished by that date, some commodities would be needed for direct distribution and some for overseas projects as well.

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

This proposal threatened a commodity value income of at least 5½ cents per lunch to schools. It seemed that about 1½ cents worth of commodities would be assured under Section 6, but the 5½ cents additional value normally furnished under Sections 32 and 416 was in doubt.

Even though present law provides for cash in lieu of a commodity shortfall it does not provide for the original 7-cents' worth of commodities. The 7-cents worth seems clearly to be the intent of the Congress but not law.

After the U.S.D.A.'s proposed budget for 1975 was presented to the Congress, it showed that \$290,000,000 had been recommended for commodities. This amount is

\$23.7 million less than for FY 74. The USDA explained that less will be needed because participation will be at a lower rate.

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

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

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

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

1. An estimated 4 billion lunches at 7 cents equals \$280,000,000.
2. An estimated 275 million breakfasts at 3 cents equals \$8,250,000.
3. An estimated 300 million meals in Special Food Service Program, for children at .0058 cents equals \$1,750,000. Total amount \$290,000,000.
4. Summer Camps, none.
5. Senior Citizens, none.
6. Disaster feeding, none.
7. Home economics classes, none.

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

A similar question was raised about the U.S.D.A. budget when I testified before the Senate Subcommittee on Agricultural Research and General Legislation legislators on July 28, 1972, at which time the chairman asked the U.S.D.A. the specific question. As I recall, their reply was that they had stocks on hand with which to make up the difference. Questions are now raised whether they have adequate stocks on hand and the exact value of commodities to be furnished service institutions.

There seems to be no way of finding out how much the U.S.D.A. will budget for commodities for FY 76. As our legislative committee understands it, if funds for commodities would not be budgeted, about 5½ cents' worth of our 7 cents' worth of commodities would be lost. Likewise, as we view it, there would be no cash in lieu of a shortfall because funds had not been budgeted.

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

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

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

If ground beef were purchased now, it would be available for schools and service institutions when classes opened this fall because it usually takes from three to four months before it is delivered to schools after the U.S.D.A. starts making offers to buy.

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

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

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

Beef producers are now stating they stand to lose \$100 to \$200 per head at current market prices. The present outlook for beef prices and supply for the remainder of 1974 is for beef prices to decline and for the supply to increase at least moderately. Incidentally, hog prices have declined recently.

When beef prices drop sharply, farmers and producers either drop out and quit producing beef or reduce the size of their herd. After this happens, beef becomes in short supply and the price rises. After this happens, producers enlarge their herds and those who dropped out start producing beef again.

Which brings up the premise that if we wish to have an adequate supply at reasonable prices, farmers and beef producers need to keep doing what they have been doing—raising more beef. Otherwise, the resultant peaks and the valleys in both price and supply.

According to an article in the *Des Moines Sunday Register*, March 17, 1974, under the byline of Don Muhm, farm editor, there may be a "disturbing drop" in the number of cattle feeders in the four-state area of Iowa, Nebraska, South Dakota, and Wyoming.

It may take a while before this drop is reflected in ranch operations in South Dakota, Wyoming, Nebraska, and in other states, but if this trend continues it will eventually be reflected in the supply and in the price. Another shortage of a specific food item will have developed.

This is why we contend the U.S.D.A. should purchase beef for child nutrition programs and other domestic feeding programs each year. Such purchases might help form a floor in such valleys.

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

When asked, the U.S.D.A. stated their offer was not an attempt to save money on their part. In our opinion, it follows that they much believe an additional amount is necessary and justified or it would not have been offered. This 7-cent value has remained stationary for at least three years without taking inflationary costs into consideration.

They have agreed to an escalator clause for commodities. The same Cost of Eating Away from Home Index might be used. This is why we recommend a commodity value for FY 1975 be established at 10.5 cents (the same as the cash payment under Section 4 of NSLP) with the same escalator clause.

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

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

Section 4 (cash).....	10.50
Section 11 (cash).....	47.25
Total cash.....	57.75
In commodities.....	10.50
Total Federal contribution for free lunch.....	68.25

The amount of state cash reimbursement must be added to the 57.75¢ federal cash. In Iowa this amount of state reimbursement is .0075¢ plus 3.30 cents. All totaled this would be 61.86 cents. Practically all schools will be able to justify receiving this 61.86¢. See Chart No. 3.

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

Attached please find other charts listing:

- a. No. of school districts serving reduced price meals (Chart No. 4).
- b. Increase in reduced-price meals served during this school Year (Chart No. 5).
- c. Iowa's average daily participation July 1, 1973 through December 31, 1973. (Chart No. 6).
- d. Enrollment of Iowa's public schools, 1973-74 school year. (Chart No. 7).

e. Comparison by percentage of value of USDA commodities. This reveals increases in prices of food items (Chart No. 8).

f. Average student lunch price for Iowa, 1973-74 school year. (Chart No. 9).

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

A news article appearing March 16, 1974, in the *Des Moines Tribune* under the byline of David Hess listed 22 poverty related programs that either have not been funded or were incorporated, transformed, transferred, or delegated to another federal agency.

We hope the child nutrition programs do not suffer the same fate. Cutting off government commodities could be the first step; a transfer of child nutrition programs from the U.S.D.A. could be the second step. Complete de-emphasis could be the third and final step.

We seek your help and assistance in preventing this from happening.

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

I would be happy to answer any questions.

Note: Charts No. 1, 2, 5, 6, and 9 were updated April 5, 1974.

CHART NO. 1

STATE OF IOWA, DEPARTMENT OF PUBLIC INSTRUCTION, SCHOOL FOOD SERVICES SECTION, GRIMES STATE OFFICE BUILDING, DES MOINES, IOWA 50319

[Commodities allocated to the State (as per delivery orders and transfers) July 1, 1973 thru Mar. 15, 1974 approx.]

Commodity	Unit	Pounds	Value per pound	Value per unit	Total value
Section 6 (schools):					
Beef, ground, frozen No. 55.....	9,100	500,500	\$1.06	\$58.30	\$530,530
Chickens, frozen No. 30.....	32,400	977,000	.39	11.70	379,080
Frankfurters, frozen No. 40.....	9,500	380,000	.71	28.40	269,800
Potatoes, french fries, frozen No. 30.....	2,000	60,000	.47	14.20	28,400
Sweet potatoes, syrup, canned No. 38.25.....	2,600	99,450	.33	12.53	32,578
Subtotal.....	55,600	2,011,950			1,240,388
Section 32 and 416 (schools):					
Beans, baby lima No. 25.....	3,200	80,000	.43	21.43	68,576
Beans, green canned No. 38.....	3,999	151,962	.20	7.44	29,753
Beans, green, frozen No. 30.....	1,875	56,450	.29	8.73	16,369
Beef, ground, frozen No. 55.....	7,000	385,000	1.06	58.30	408,100
Butter, print No. 32.....	27,598	729,536	.89	28.48	814,471
Butter, print No. 36.....	28,844	1,038,384	.89	32.04	924,162
Cornmeal, yellow No. 50.....	2,126	106,300	.14	7.02	14,925
Cranberry sauce, jellied No. 44.2.....	9,799	443,116	.24	10.67	104,555
Flour, A-P No. 50.....	48,101	2,405,050	.15	7.36	354,023
Grapefruit juice, canned No. 37.3.....	20,000	746,000	.16	6.05	121,000
Margarine No. 30.....	24,320	729,600	.39	11.55	280,896
Oats, rolled No. 36.....	5,554	199,944	.24	7.24	40,211
Orange juice, concentrated, frozen No. 30.....	47,490	1,424,700	.40	11.98	568,930
Peanut butter No. 41.25.....	31,510	1,512,480	.63	26.00	819,260
Pears, canned No. 43.5.....	8,689	377,972	.31	13.32	115,738
Plums, purple, canned No. 45.....	2,800	126,000	.21	9.58	26,824
Poultry, boned, canned No. 43.5.....	8,500	369,750	1.92	83.37	708,645
Rice No. 50.....	3,185	159,250	.49	24.68	78,606
Selad oil No. 46.2.....	7,799	360,314	.55	25.32	197,471
Shortening, vegetable oil No. 50.....	8,379	418,950	.42	21.18	177,467
Tomatoes, canned No. 38.25.....	10,000	382,500	.22	8.52	85,200
Turkeys, frozen No. 43 average.....	18,336	773,230	.67	28.81	528,260
Wheat, rolled No. 36.....	4,160	149,760	.52	18.80	78,208
Peanut, granules No. 21.....	1,100	23,100	.79	16.60	18,260
Subtotal.....	334,364	13,149,148			6,579,910
Grand total (schools).....	389,964	15,161,098			7,820,298

Note: Values per pound and per unit were computed by obtaining wholesale prices from 3 wholesalers located in Des Moines and taking an average of the 3. The prices shown do not necessarily represent the bid price paid by the USDA when purchasing the food. In some instances the USDA may have purchased for a lesser price, but the values listed hereon show a reasonable market value.

CHART NO. 2

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

Year	Units	Pounds	Value
1973-74	16,100	885,500.00	\$938,630.00
1972-73	(1)	(1)	(1)
1971-72	16,650	881,500.00	621,775.00
1970-71	16,787	923,285.00	590,902.00
1969-70	33,200	2,153,000.00	1,271,040.00
1968-69	23,600	1,293,000.00	765,820.00
1967-78	24,170	1,270,735.00	854,640.00
1966-67	30,178	1,490,051.00	897,256.00
1965-66	27,070	1,356,097.00	608,919.88
1964-65	59,935	2,777,411.75	1,665,547.20
1963-64	20,932	1,155,529.00	546,280.40
1962-63	10,185	557,038.00	226,815.20

1 None.

CHART NO. 3A

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

	Amount	Cents per lunch
Expenditures from school lunch funds:		
Food	\$11,429,351.10	35.20
Labor	5,799,087.26	17.86
Other	1,381,938.42	4.26
	18,610,376.78	57.32
Estimated value of noncash expenditures	4,222,552.01	13.00
Total expenditures	22,833,028.79	70.32
Less:		
Extra milk costs	750,192.31	2.31
School breakfast cost	106,877.86	.33
Estimated a la carte costs	311,718.80	.96
Total unallowable costs	1,168,788.97	3.60
Total type A lunch expenditure	21,664,239.82	
Total type A lunches served:		
Children type A lunches	30,676,781	
Adults type A lunches	1,793,927	
Total type A lunches	32,470,708	

Note: Type A lunch cost without Government commodities, 66.72 cents.

CHART NO. 3B

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

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

COMPARISON

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

Chart No. 4

Iowa:

	Amount
<i>September 1973:</i>	
Number of school districts serving both free and reduced-price meals.....	206
Number of school districts serving free meals but not reduced-price meals.....	167
<i>January 1974:</i>	
Number of school districts serving both free and reduced-price meals.....	312
Number of school districts serving free meals but not reduced-price meals.....	151
Number of districts that started serving reduced-price meals after 175% change become effective January 1, 1974.....	16

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

CHART NO. 5

IOWA FREE LUNCHES, AVERAGE DAILY FREE LUNCHES

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

REDUCED-PRICE LUNCHES, AVERAGE DAILY REDUCED PRICE LUNCHES

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

CHART NO. 6

IOWA AVERAGE DAILY PARTICIPATION, PERCENT OF AVERAGE DAILY ATTENDANCE

	July 1, 1972 through Dec. 31, 1972 (percent)	July 1, 1973 through Dec. 31, 1973 (percent)	Percent increase- decrease
Schools:			
Senior high schools.....	52.82	43.00	+2.18
Junior-senior high schools.....	77.16	76.20	-1.28
Junior high schools.....	74.32	75.60	+1.69
Elementary schools.....	71.80	70.02	-2.54
Special education schools.....	83.50	79.13	-5.55
K-12 schools.....	81.42	80.84	-.72
Total.....	70.29	69.79	-.72

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

1. Increased in senior high schools from 52.82% up to 54% = +2.18%.
2. Decreased in junior-senior high schools 77.16% down to 76.20% = -1.04%.
3. Increased in junior high schools 74.32% up to 75.60% = +1.69%.
4. Decreased appreciably in elementary schools 71.80% down to 70.02% = -2.54%.
5. Overall participation decreased -.72%.

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

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

Student participation for the month of December, 1973, however, was at an all time high of 70.91 percent. Student participation for February dropped sharply because of a high rate of incidence of influenza throughout the state.

Chart No. 7

<i>Iowa's nonpublic school enrollment, 1973-74:</i>		Schools
1,000 or more.....	.....	5
500 to 1,000.....	.....	26
300 to 500.....	.....	35
200 to 300.....	.....	40
100 to 200.....	.....	85
0 to 100.....	.....	76
Total.....	.....	267
<i>Iowa's public school district enrollment:</i>		School districts
100 to 200.....	.....	5
200 to 300.....	.....	25
300 to 500.....	.....	106
500 to 750.....	.....	100
750 to 1,000.....	.....	77
1,000 to 1,500.....	.....	51
1,500 to 2,000.....	.....	27
2,000 to 3,000.....	.....	31
3,000 up.....	.....	20
Total.....	.....	451

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

CHART NO. 8

COMPARISON BY PERCENTAGE OF VALUE FOR USDA COMMODITIES

Commodity	1972-73 value per unit	1973-74 average value per unit	Percentage difference
Applesauce No. 40.5	6.88	10.59	54
Apples, sliced No. 36	9.36	15.00	60
Apricots, canned No. 40	11.20	12.07	8
Apples, fresh No. 40	6.00	9.55	59
Beans, red kidney No. 50	9.00	24.80	176
Beans, red kidney No. 100	17.00	46.64	124
Beans, baby lima No. 50	11.00	21.43	95
Beans, great northern No. 50	10.00	24.45	145
Beans, dry pea No. 100	20.00	61.03	205
Beans, dry pea No. 50	10.00	31.10	211
Beans, green canned No. 38	6.84	7.44	9
Beans, frozen No. 30	6.92	8.73	26
Beans, dry pinto No. 50	8.50	21.00	147
Beans, dry pinto No. 100	16.41	42.33	158
Beef, ground/frozen No. 55	46.75	58.30	25
Butter, print No. 32	27.20	28.48	5
Butter, print No. 30	25.50	26.70	5
Butter, print No. 36	30.60	32.04	5
Beef, patties frozen No. 30	30.00	36.38	21
Beef, in natural juice No. 43.5	46.55	60.95	31
Cheese, natural cheddar No. 42	33.18	51.38	55
Cheese, processed No. 30	24.00	33.18	38
Cherries, red pitted No. 40	10.24	18.68	82
Corn, canned No. 39.75	6.36	7.30	15
Cornmeal, yellow No. 50	6.00	7.02	17
Chicken, frozen No. 30	11.10	11.70	5
Corn, canned No. 24	4.34	5.50	27
Cranberries, fresh No. 28	5.95	7.75	30
Cranberry Sauce No. 44.2		10.67	
Eggs, dried No. 18	17.64	38.35	117
Flour, all-purpose No. 50	4.50	7.36	64
Fruit cocktail No. 41.4	7.85	11.47	46
Grapefruit sections No. 37.5	12.00	10.95	-9
Grapefruit juice No. 40	4.70	6.05	29
Grape juice No. 38.6	8.88	11.93	34
Ice cream, processed No. 30	16.16	25.15	56
Meat, luncheon No. 45	36.00	44.70	24
Milk, dry No. 54	32.40	41.07	27
Margarine No. 30	4.98	11.55	132
Nuts, rolled No. 36	7.92	6.95	-12
Olives, ripe No. 19.5	14.83	19.02	28
Orange juice, frozen No. 30	12.00	11.98	0
Peaches, canned No. 40	9.20	10.12	10
Peanut butter No. 41.25	17.74	26.00	47
Pears, canned No. 40	10.00	11.90	19
Peas, green No. 40	6.55	8.00	22
Plums, purple No. 41.4	7.07	9.58	36
Peas, dry split No. 50	7.50	27.90	272
Peanut butter No. 48	20.64	30.24	47
Pineapple, canned No. 41.4	9.95	11.15	12
Pears, fresh d'Anjou No. 45	7.75	10.80	39
Potatoes, French fries No. 30	6.00	14.20	137
Potatoes, dehydrated No. 15	7.50	7.80	4
Peas, canned No. 24	5.11	6.32	24
Poultry, canned boned No. 43.5	45.24	83.37	84
Raisins No. 48	20.80	31.68	10
Rice No. 50	9.00	24.68	174
Salad oil No. 46.2	13.86	25.32	83
Shortening vegetable oil No. 30	12.96	23.61	82
Sweet potatoes, dehydrated No. 23.25	17.90	24.70	38
Sweet potatoes, syrup No. 38.25	7.65	12.53	64
Tomatoes, canned No. 38.25	7.91	8.52	13
Tomato, paste No. 41.82	10.67	13.23	24
Turkeys, frozen No. 43	18.02	28.81	52
Shortening, vegetable oil No. 50	11.50	21.18	84
Wheat, rolled No. 36	8.64	18.80	118
Frankfurters (71 cents per pound)		28.40	

Note: Value per unit was computed by obtaining wholesale prices from the wholesalers located in Des Moines and taking an average of the 3.

IOWA, COMMODITIES FOR PUBLIC SCHOOLS

School year	Commodity value	Cash in lieu of shortfall	Total commodities	Lunches and breakfasts served	Commodity value per lunch (cents)
1970-71.....	\$6,089,361		\$6,089,361	67,820,173	8.98
1971-72.....	6,788,801		6,788,801	70,491,257	9.63
1972-73.....	4,988,588	\$1,137,232	6,125,820	70,364,883	8.78
1973-74 (projected).....	6,975,705		6,975,705	70,681,478	9.87

Chart No. 9

Iowa, student lunch price	Cents
February 1974 average lunch price.....	41.65
School year 1972-73 average lunch price.....	37.92
Increase	+3.73
Increase	+0.84

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

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

Chairman PERKINS. It is my understanding that the Department of Agriculture purchases food items directly from major processors for the school lunch program. These purchases have included, for example, canned fruits and vegetables, poultry items and ground beef. School lunch programs, on the other hand, purchase primarily from institutional wholesalers. In rural areas they are very likely to purchase their food supplies from retailers.

Do you have any idea of the price differential between the processor level, the wholesale level, and the retail level for the food items I have mentioned?

Mr. CARPENTER. Mr. Chairman, I have tried to get some of those figures because I anticipated this question. The difficulty is this. In obtaining it, for example, if the government purchases ground beef, which is excellent in quality and may be less 20 percent fat, they may purchase it for 92 cents, which we did.

We asked several schools what they had to pay for it. Some indicated they had paid more, some indicated they had paid slightly less. The difficulty is in comparing like items. For example, if they say they can get it for 74 cents, it may have more fat or some textured vegetable protein in it. So it is most difficult to compare a similar item.

During my years of experience we have worked long and hard to get away from the smaller districts paying the old cost plus 10 percent. In Iowa, for example, we have 451 districts and 2,023 schools. Only seven of our districts have an enrollment of over 10,000 pupils and, if we were to consider Minnesota, South Dakota, North Dakota, Utah, Idaho, some of those are in the same situation so far as having numerous small schools.

Chairman PERKINS. Thank you very much.

Mr. QUIC.

Mr. QUIC. Thank you, Mr. Chairman.

What do you view the purchase of beef to mean to your school?

Mr. CARPENTER. I beg your pardon?

Mr. QUIN. The recent purchase of beef that will be made available, what does that mean to your schools as far as the value?

Mr. CARPENTER. We equated this as if we are to receive about the same number of pounds of ground beef that we did during this school year. The previous school year we received no ground beef, this year about a 10-day supply and, as we equate the 50 million pounds that the \$15 million may purchase, that would mean about 10 days' supply of 2 ounces of cooked weight for each child.

Mr. QUIN. When do you expect to receive it?

Mr. CARPENTER. We are very hopeful and pleased that they started out to buy it. The rumor has it that one of the first purchases has been made and deliveries might start on July 7.

Well, typically most of the meat items are received in the second semester. I recall that you were a former board member. Typically we receive the meats in the second semester. This would switch this around and get some of the meats there, the red meat at the beginning of the school year. So, we are very hopeful that the deliveries will be in July and August, ready for when school starts.

I am sure the committee recalls the difficulty some of the schools experienced last year with the nonavailability of certain school items, but it all worked out.

Mr. QUIN. Do you have any summer feeding programs?

Mr. CARPENTER. We do have summer feeding programs and we do administer it. I didn't read into the record the problem that we are experiencing there and the USDA is aware of it.

We have been trying for several years to find out from the USDA exactly how much of this amount they appropriate from Federal funds. Next year \$290 million is proposed. We have tried to get breakdowns to allocate and distribute these commodities to each participating school in the summer programs on a fair and equitable basis. If the school's budgeted amount should be 7 cents, we should know this. If it is 3 cents for breakfast, we should know that so when we receive these commodities we can make certain the schools get the commodities.

If we don't, we will do what every other school superintendent does. They will come in and say are we getting our fair share? Consequently the amounts I am about to read are not presented as exact budget figures. They are the latest figures that have been presented at this time that I know of.

The USDA estimated 4 billion lunches at 7 cents, which is \$280 million; an estimated 257 million breakfasts at \$8,250,000; and an estimated 300 million meals in special food programs for children at \$1,750,000. I obtained this by subtracting the other two. Using the first two figures I gave, the 7 cents for the lunch program and 3 cents for the breakfast program, the special foods service programs, the summer program you mentioned and the year-round program are going to get less than one-half of 1 cent worth of commodities.

This observation is offered that if these day care centers, settlement houses and the like participating in that special food program are receiving only about one-half cent worth of commodities, their financial situation is going to be far more shaky than ever.

Mr. QUIE. Back to the question of the beef, if it does become available the 7th of July, would any go in the summer or would it all go in the fall?

Mr. CARPENTER. It would be difficult by that time. Many of these programs would have started by June, some will be closing and so on. After we receive them, it is about another 10 or 15 days before they are delivered, so that puts it into August when most are closing.

I am sorry I didn't answer your question specifically that you wanted to know.

Mr. QUIE. Since most is made available for fall feeding, will it likely be fed up right after the school year, say the first 10 days of school? Would it be fed up or carried along a way so it would be added into the menu from time to time?

Mr. CARPENTER. Added into the menu from time to time because of the variety that is needed. I am sure you are aware this will not all be used for hamburgers or beefburgers. It will be spread over a longer period than 10 days.

Mr. QUIE. If no more were purchased, it would be used up in the first semester of the school year?

Mr. CARPENTER. Yes, easily. The schools and service institutions will have to buy a great amount more than this.

Mr. QUIE. Now this is kept in freezers, is that correct?

Mr. CARPENTER. Yes.

Mr. QUIE. Until it is ready to go?

Mr. CARPENTER. Yes.

Mr. QUIE. Who pays for the cost of storage between the time it is delivered from the USDA?

Mr. CARPENTER. After it is delivered by the USDA to the State and we do not have State warehouses, we negotiate a contract. Once it arrives in the warehouse, there is a nominal fee until it is delivered to the school building; a nominal fee which covers storage, warehousing in and out and the like.

Mr. QUIE. Who pays for that?

Mr. CARPENTER. The school system.

Mr. QUIE. Thank you, Mr. Chairman.

Chairman PERKINS. Our next witness is Mrs. Mary S. Dillard, school lunch director, High Point City Schools, High Point, N.C.

**STATEMENT OF MARY S. DILLARD, SCHOOL LUNCH DIRECTOR,
HIGH POINT CITY SCHOOLS, HIGH POINT, N.C.**

Mrs. DILLARD. I am Mary Dillard, Director of School Food Services, High Point City Schools, High Point, N.C.

I appreciate the opportunity to appear before this honorable committee to offer my comments in support of the efforts to retain commodity (donated) foods to the National School Lunch program by securing passage of H.R. 13168.

I feel betrayed, sold for 30 pieces of silver. The "carrot" offered by Mr. Yeutter can only be construed as a Judas kiss. In the beginning the farm surpluses were a yoke to its governing agency and school lunch support was born. Not to really build a sound vehicle for developing the healthiest children in the world, but as an afterthought—

a dumping ground. From these morsels (including, believe it or not, ripe olives) a giant grew with real purpose and real integrity.

The school lunch program has grown steadily, slowly, agonizingly despite many odds. And now the shoe is on the other foot. School lunch needs the Agriculture Department. The surplus today is children—yours and mine. American children, black, white, red, and yellow. They are beautiful. They are our hope, the reason for it all. They deserve the best we have. Not just the poor child or the rich child, but all children must equally share in the glory of health or all else we plan for them is nothing.

Let's consider priorities. It is difficult to justify priorities of a government that subsidizes aircraft building, railroads and the agriculture industry when they needed it, not to mention vast funding of cost overruns on practically every defense venture, only to deny flour for bread to feed the Nation's children. School lunch is not being allowed an overrun or enough to stay even, but a cutback in the face of mounting costs. School lunch is not perfect, but we have come a long way.

The massive investment of State and local finances to build facilities geared to handle commodities, in fact built around them, should not and must not be abandoned because of the whim (they call it "strategy") of our erstwhile benefactors.

It is very simple, gentlemen. If the commodity program is terminated, it will be the beginning of the end for the school lunch. Money in lieu of commodities is just a sugar-coated pill. The expertise of USDA is such that that not one of our local systems can come close to matching their buying power and volume.

In North Carolina more than 80 percent of the school children participate in the program, of which more than 45 percent are free or reduced meals. The North Carolina Board of Education and the State Superintendent of Public Instruction support school food services as an integral part of education, and the State legislators provide \$2.5 million annually plus the cost of State administration to continue the program. School lunch is indeed a way of life in North Carolina. In fact, every school except one, a small school on isolated Okrocoke Island, has food service. The children on Okrocoke fortunately live close enough to walk home.

Consider, as a fair comparison, that North Carolina is a typical State. We have a thriving urban area in the center of the State, but the far east and the far west are rural, isolated areas. Our urban areas have developed sound centralized systems. Our purchasing is quite sophisticated, but the isolated areas do not have the opportunity to secure good buys or best buys. Their need is the greatest and their resources the least. It is my conviction that there are many more areas in this great country like the latter.

We don't have funds to secure Federal inspection to secure consistent quality and wholesomeness. Indeed, I am proud of the quality and goodness of the many commodities upon which we now depend.

In my local unit we have experienced all the increases—food, labor, energy and miscellaneous costs. How have we coped with this? We are training and retraining our workers. Ten years ago we had 135 workers serving 5000 children; today we have 95 workers serving 7,500 chil-

dren. We bake 95 percent of our breads and desserts. We prepare meals not only for the school program, but also for: Developmental day care programs, Head Start, day care for handicapped children, meals for the elderly, and summer nutritional programs.

And this approach is spreading to the advantage of all. I have a special satisfaction (call it hope) in being able to supply lunches for these programs in our city for we are teaching children long before they reach school age to eat (and they really are) the foods that can best develop their minds and bodies.

Well, we have reached another consideration—teaching nutrition. Cut our support? We need more. We must not only offer a balanced diet, we must concentrate on teaching the children to eat it. We need a ground swell of determined efforts to produce the healthiest Nation on earth. The dividends are guaranteed—in production, in lower medicare and medicaid costs, in the quality of life for all.

We believe. We pledge our continued dedication to a better way and a better life through better nutrition. Tell Mr. Yeutter we will take the carrots (real ones) and the peas and the flour and all the rest, and we will not be bought for 30 pieces of silver.

This testimony represents the thinking of my own person and the State Food Service Association of North Carolina.

[Copy of January 25, 1974, memo from U.S.D.A. Associate Secretary Clayton Yeutter to Agriculture Secretary Earl L. Butz referred to follows:]

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., January 25, 1974.

To: Secretary Butz.
Subject: Commodity Procurement.

General Background:

1. Purchasing is handled by: (1) AMS under the Section 32 surplus removal program, with distribution by FNS to both family and child nutrition (school lunch and breakfast) programs; (2) AMS under Section 6, which is not limited to surplus removal, with distribution by FNS only to child nutrition programs; and (3) ASCS under Section 416 for price support purchases, with distribution under P.L. 480 and other foreign distribution programs, and also by FNS to both family and child nutrition recipients.

2. There is some additional distribution to (1) institutions, primarily charitable entities; and (2) specialized groups such as pregnant and lactating women and small children; as well as distribution in emergencies, such as floods.

3. A preliminary evaluation by Dr. Paarlberg's staff indicates that benefits to producers from our surplus removal efforts have not been great. The exception is in some of the specialty crops, primarily in California and Florida, where elimination of the program would be strongly opposed.

4. A possible alternative to these programs, if and when surpluses develop in future years, would be a voucher system. There is some precedent for this; in essence, food stamps are vouchers, though they need not be used for specific foods. And we are now using vouchers, applicable only to certain specified foods, in two of our supplemental feeding programs (e.g., WIC). But the ramifications of the much broader use envisioned here have not yet been researched.

5. AMS, FNS and some of Assistant Secretary Wright's staff have developed a study proposal which would encompass the voucher alternative and a number of other aspects of this program. This proposal is being held in abeyance pending our immediate policy decisions.

6. Senator McGovern and a number of other liberals in that body, representing both parties, have just introduced legislation that would require us to maintain all our commodity procurement programs at no less than present levels.

7. The school feeding lobby is strongly opposed to termination of commodity procurement for child nutrition. The primary reason is that they wish to avoid

transfer of the child nutrition programs to HEW. They believe that if they can keep a USDA procurement program going, this will strengthen their hand in resisting a transfer of the distribution system (FNS).

8. We will phase out most of the family procurement programs by June 30 of this year, as required by the 1973 Farm Bill. Exceptions will be: Puerto Rico, perhaps a few counties in the U.S., and perhaps the Indian reservations. It will take most of FY 75 to get the "exceptions" on food stamps.

We have one supplemental feeding program which involves commodities; this too will continue in FY 75, but probably could be phased into WIC—a voucher program—in FY 76.

Thus, the only remaining commodity programs in FY 76, i.e., on July 1, 1975, would be (1) child nutrition; (2) institutions; and (3) P.L. 480 and other foreign distribution.

Recommendations:

1. All out opposition to the McGovern legislation. If it should pass, we'll be in the commodity procurement business forever.

2. A gradual phase down (and hopefully phase out) of existing procurement and distribution programs during FY 75. As discussed above, this is already planned for the family programs, and can easily be done in the supplemental programs. Distribution to institutions should be phased down as much as possible, thereby minimizing the flak that will be received if and when complete termination takes place, i.e., on June 30, 1975. Distribution to the schools should be reduced dramatically, and the shortfall replaced by cash, as is already permitted by law. This too will reduce the shock if distribution is completely terminated on June 30, 1975. It probably is too early to determine whether foreign distribution can also be terminated at that time.

3. An objective of complete termination and disbanding of these programs on June 30, 1975. This can be done by administrative action, if the pending McGovern and similar legislation can be forestalled.

There will be some difficulty in terminating help to institutions, but this can be overcome. The much more difficult battle will be with the child nutrition lobby. Our strategy should be to: (1) convince them that they will be hurt little, if any, by a changeover from commodities to cash; and (2) provide an adequate carrot in the form of cash to at least diminish their opposition.

Foreign distribution should also be evaluated at that time.

4. In the interim, the voucher alternative for surplus removal should be carefully studied and readied for implementation if needed. Otherwise, we're liable to be forced back into the commodity procurement business if and when surpluses develop. The Section 32 removal authority will still be on the books, and the Department would probably be forced to use it unless a voucher or some other alternative is available.

CAYTON YEUTTER,
Assistant Secretary.

Chairman PERKINS. Thank you very much for an excellent statement.

Do you have any questions, Charles?

Mr. RADCLIFFE. No.

Chairman PERKINS. Thank you very much.

Our next witness is Mr. Julius Jacobs.

STATEMENT OF JULIUS JACOBS, DIRECTOR, SCHOOL LUNCH PROGRAM, NEW YORK CITY BOARD OF EDUCATION

Mr. JACOBS. Mr. Chairman, I am very pleased to appear before this committee to give testimony in support of H.R. 13168. It is the belief of the New York City Board of Education that it is absolutely necessary that commodities continue to be purchased for the school lunch program. The New York City Board of Education received approximately \$5.2 million in commodities and cash during fiscal year 1972-73. We expect to receive approximately \$5.4 million this year.

This level of support to the school lunch program in New York City nets out to over 6 cents per lunch. In view of the runaway inflation that we have been experiencing with food items leading the way, we find it rather distressing that the Federal Government is at least considering withdrawing this very important commitment to school-children of our Nation.

While the commodity program is not perfect, it has over the years provided very good quality food and has in many cases made the difference in providing a bare minimum lunch and an improved lunch for millions of children.

We have estimated in New York City it would cost us about \$1.30 for each \$1 of donated commodity made available by USDA. We also feel the actual purchase of commodities for the school lunch program is one way of assuring we get food for the lunch program and that because of other priorities and other pressures in a place such as New York, having cash and no commodities does not assure us that there will actually be food made available to children from these funds.

Hence we think it would be possible and maybe even probable that the impact upon the quality of "food on the plate" of children would be adversely affected were the commodity program withdrawn and replaced by a voucher system for cash only.

While my comments represent the thinking of the New York City Board of Education, certainly in my travels and my contact I would like to think it represents the majority thinking of food service directors and people in large urban areas.

I have some information available in regard to the lunch program in New York City and I would be very happy to answer any questions that you may have.

Chairman PERKINS. Do you feel that this program should be extended for 1 or 2 years?

Mr. JACOBS. Yes, we feel it should be extended.

Chairman PERKINS. Mr. Quie, any questions?

Mr. QUIE. I would like to ask the same questions that I asked Miss Martin beforehand regarding additional money. Really what I want to find out is if that 7 cents is the optimum figure to which you get commodities. If the Federal Government was going to increase any share of school lunches, would you sooner have commodities increased or cash for the additional amounts?

Mr. JACOBS. In our particular situation we feel we would benefit much greater if the commodities were actually purchased and made available to us, hopefully early enough during the year so we could plan, and hopefully they would come in such time as we could use them and take full advantage of them and not have prolonged costs for storage and this type of thing, which sometimes affects the effects these commodities can have on a large program.

Mr. QUIE. Would you prefer that any of the cash that is now being made available be shifted to Government purchasing of commodities and distributed to you rather than giving you 10 cents in cash in section 4?

Mr. JACOBS. No, we sort of feel that the commodity program does two things. No. 1, it establishes certain levels of quality and, therefore, we can aim at it. But so far as shifting, if I understand your question, some funds can be made available under section 4 and other sections. But I wouldn't propose that.

Mr. QUIE. You think it is the optimum mix now?

Mr. JACOBS. Yes. The amount of money we could be talking of conceivably could be such that whether the Department is capable of doing this could be a question. We would prefer to see that the commodity program as it is be continued and, as I said, hopefully improved to the point that we could get those commodities that are to be purchased and distributed to us at the local level in sufficient time that we could use them within a reasonable period of time and not have these prolonged storage charges.

Mr. QUIE. You think it is a pretty optimum mix now, 7 cents commodities and 10 cents in cash in section 4? We will disregard for the time being the free and reduced cost lunches. Suppose the generosity of the Federal Government should increase. Do you think that should come in commodities or cash?

Mr. JACOBS. There again, in this sort of iffish type of answer, if the Department could purchase those things and make them available to us, we would benefit more than the cash.

Mr. QUIE. If they can't buy them, you get the cash.

Mr. JACOBS. As I said in my statement, in our particular case in New York City, because of certain cost factors, it ends up costing us much more for the same. In other words, a dollar amount of commodities distributed to us at USDA's total cost. Our figures indicate those same items, if we purchased them through our wholesale distributors and what-have-you, have at least for this past year cost us on an average of \$1.30. It would appear we are ahead of the game if the Department purchases the commodities and makes them available to us.

Mr. QUIE. Your figures jive with Georgia's, that it would cost you 11 cents to get what 7 cents is now buying in commodities.

Mr. JACOBS. I guess it would be pretty close. We are saying about 30 percent more. I guess it is somewhere in that range.

Mr. QUIE. Do you do volume buying? I mean, you are a pretty big jurisdiction in the city of New York.

Mr. JACOBS. Yes, we do. In a year we buy \$38 to \$40 million worth of foodstuffs for our program. We are serving some 90 or 91 million meals. Ours is a very large operation in itself. So we do buy in volume.

Mr. QUIE. When you say you buy, how big of an area does this cover? New York City is a problem because it has all those counties.

Mr. JACOBS. This covers all five boroughs, about 1,300 school locations, about one-half million meals a day that we support.

Mr. QUIE. If you are buying in that volume, why is it that you don't have more of a savings than Georgia where they would have to buy for each school district? You must be the size of the whole State of Georgia.

Mr. JACOBS. We have costs in New York City that are probably different from a lot of other places. A large portion of that cost is in distribution. We find because of our size it is necessary to break our orders down to many vendors in order to get service. I think you can realize the demand. If we were to citywide serve, let's say, hamburgers in all locations on 1 day, one-half million servings there, about one-fourth million pounds, it would create an absolutely impossible service delivery by any one vendor, regardless of how large he is.

In some cases this doesn't give us the price break increment, but in some cases it could work to neutralize this large buying power because of the number of locations we have to deliver to.

Mr. QUIE. You have a higher delivery cost also with the commodities?

Mr. JACOBS. Yes, we find that in different boroughs of New York, for instance in Manhattan, which is very, very congested, your delivery cost there would be almost 1½ times as much as another borough like Richmond, which is a semirural area.

We have those factors common to this particular area.

Mr. QUIE. When you consider that as a problem then, whether you purchase separately or get commodities, that cost of distribution becomes the same on both, then it is just the volume, since you are not able to buy in volume in many cases as the U.S. Department of Agriculture?

Mr. JACOBS. That is correct. Also, one very important part that is tied in with this is that, of course, USDA has national standards and has very good specifications in quality control. We in our purchasing pretty much copy after them. We think this is a very important factor. We think the USDA should continue this involvement in purchasing commodities and making them available, even though in the price break to delivery point there is a substantial saving, whereas the distribution cost in New York City would be the same whether we distribute commodities donated by USDA or distributing what we purchased.

Mr. QUIE. That beef that will be made available, what percent of your total ground beef would this be?

Mr. JACOBS. Based on our present volume and frequencies of service and hopefully that we will get our fair share of this \$45 million of purchasing, this conceivably could run another 7 or 8 service days of meals, providing we do get it at a time when we can serve it.

We would have very limited use during the summer in that our programs drop very dramatically from about 520,000 a day during the regular school lunch program through the year down to a little less than 100,000 for the summer activities we have. Therefore, if it were made available so we could have it to start off in September, we could make full use of it and there again have an absolute minimum amount of storage charges on what we hope will be a very large amount.

Mr. QUIE. You said 8 days. What percent of the total would that be if you were to buy?

Mr. JACOBS. I would say 5 percent.

Mr. QUIE. If the USDA does such a good job of setting standards in buying as they do, why don't you piggyback their efforts and buy in mass amounts for the city of New York in the same way? You can purchase in large volume amounts from large packing companies, the same as the Department of Agriculture.

Mr. JACOBS. One of the things we are doing and are exploring is having a much closer working relationship than we do just that. We are doing that on some items and we do anticipate to expand that particular approach. I would say that the actual purchasing of these commodities and delivery to one point is just one of the problems.

We believe at least that there could be substantial savings to us in our overall purchasing, copying their approach. We have been and plan to extend along that line. We think it is critical that they have this continued involvement. If that did not exist, each of us would be left to our own devices to provide for standards and this type of thing. While we believe we have developed some expertise. We believe a lot of lesser, smaller systems would not have this particular benefit.

Mr. QUIE. Since it would cost you 30 percent more if you were going to buy the commodities yourself rather than receiving the commodities from the Federal Government, if you piggyback their effort, how much can you save on the rest of the purchase, say of beef?

Mr. JACOBS. At this time, as I said, we are just exploring this particular thing and the projected savings. We believe, it will at least approach 2 to 5 percent of our total food purchasing once we can get a definite handle on this.

I would say that because of some of the internal arrangements that we are making in New York City because of the decentralization act, particularly in the Board of Education, some of our projections for specific commodities in the future are somewhat restrained by a determination as to how many of the 32 local community school boards may elect, which they have the right to do, to withdraw from the central program and to run their own program. And for the coming year, they will have up to and including the first of July to make that decision. So some of our planning of necessity is a little cautious along that line.

Mr. QUIE. If you can work out the same kind of purchasing arrangements in a city the size of New York by using USDA standards—wouldn't there then be a tendency for them to want central purchasing from you the way everybody is coming in and asking central purchasing from USDA?

Mr. JACOBS. I think you are exactly correct because everyone in the food business is trying to do everything to stretch their dollar to the maximum. This is one approach. If you can buy cheaper from a central source, we intend to do it. I would agree with that statement.

Mr. QUIE. The question is why hasn't that been done a long time ago?

Mr. JACOBS. I have only been in New York 3 years. Maybe that is the reason. We are working on it. I would say this, in all honesty. To a certain extent I think there has been movement in that direction, not in everything, but I think there has been movement in that direction. The detailed planning and projection for a large and complex system like New York obviously takes tremendous time, talent, and staffing, and this type of thing that may for one reason or another not be made available to them.

I think that concept and that approach has been at least in the minds of a lot of people and now I think we are getting to the point where we are implementing it a little more rapidly than in the past.

Mr. QUIE. I can't understand why large systems and States themselves, through which this program is operated, now come in and testify that the USDA program has worked so well, and I think it has, that they won't piggyback that and receive those kinds of savings themselves.

I never really looked at it before because we always have, as some of the previous witnesses have said, had surplus commodities and we thought they would go on forever. But now this new day has come and I would think it would cause large communities like yours to look at central purchasing.

Thank you.

Chairman PERKINS. Thank you very much.

Our next witness is Col. Ellsworth C. Reiss, coordinator, food distribution section, Department of Agriculture, State of New Jersey;

and then Mr. James E. Mack, managing director and general counsel, Peanut Butter Manufacturers and Nut Salters Association, Washington, D.C.

You may proceed, Col. Reiss. Without objection your statement will be inserted in the record at this point. We will hear from both Colonel Reiss and Mr. Mack before questioning the witnesses.

STATEMENT OF COL. ELLSWORTH C. REISS, COORDINATOR, FOOD DISTRIBUTION SECTION, DEPARTMENT OF AGRICULTURE, STATE OF NEW JERSEY

Colonel Reiss. Mr. Chairman, it is a pleasure to be here.

I strongly urge the approval of H.R. 13168 with minor but important modifications, which would extend for 2 years the commodity distribution program.

Mr. Chairman, at this point I would like to deviate from my formal statement and summarize as I go through.

Chairman PERKINS. Go ahead. Without objection your statement will be inserted in the record.

Colonel Reiss. Several months ago I was shocked and outraged to discover that the U.S. Department of Agriculture favors the termination of the present program effective June 30, 1974. This is one of the most useful and popular programs sponsored by the Federal Government, so it is imperative to extend the present system.

As indicated on the cover sheet of my statement, I represent 14 Northern States as president of the Northeast Area Commodity Distribution Association. I am also the coordinator for food commodities in the State of New Jersey under the direction of Phillip Alampi, Secretary of the New Jersey Department of Agriculture. I might mention he was present here this morning.

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

I must also mention I am speaking in behalf of 2½ million Boy Scouts, who are major users of food commodities during summer encampments.

On pages 2 and 3 of my statement, with exhibits 1 and 2, I mention USDA budget figures involving commodities for schools and institutions. As you can determine, the funds for school programs went from \$979 million in fiscal year 1965 to \$1.88 billion in 1974. However, the dollars in food commodities remain almost stagnant. This also applies to institutions.

In the Perkins bill, H.R. 13168, it is stated, "For donation to maintain the annual program level of assistance for schools." Gentlemen, how can this level be maintained when the budget is being reduced for schools in the amount of \$23.7 million less than fiscal year 1974 and institutions are being reduced \$2.3 million less than fiscal 1974? This does not take into consideration a minimum 12-percent increase in the cost of living for fiscal year 1975.

To maintain the proper level the budget should read \$351.3 million for schools and \$21.1 million for institutions.

At this point I would like to recommend minor changes that should be made in H.R. 13168. Page 1, line 10, the word "may." I am afraid

the U.S. Department of Agriculture would play with this word and we would not receive Government commodities. Therefore it should read "shall" or "will."

Page 2, lines 8, 9, and 10, which reads "for schools, domestic relief, distribution, and other domestic assistance programs." That should be changed to read "schools, institutions, Indian reservations not requesting a food stamp program, supplemental feeding"—this does not include the WIC program and disaster relief distribution. This is very similar to Congressman Robert Roe's bill, H.R. 13994 of April 1974.

Gentlemen, approximately 94 percent of the food commodities in dollar value goes into the school program and the remaining 6 percent goes to institutional-type programs. The institutional amount is very small, but very important, and therefore it should be included in the Perkins bill. It is the opinion of some of the legislators that many eligible recipient agencies do not want the raw commodities because they are difficult to handle in the kitchen. This is not a true opinion today.

Refer to pages 3, 4, and 5 of my statement and you can determine times have changed. State governments have entered into food processing agreements and have done an excellent job in processing raw food commodities into a more useful end product that is highly nutritional and acceptable. Many additional dollars are saved through the examples given.

I would like at this time to turn to page 3 which involves durum wheat flour. Many years ago the city of Philadelphia processed bread flour into macaroni and spaghetti. It was an inferior product for pasta products. However, it was nutritionally accepted in the school lunch programs. Approximately 3 years ago the U.S. Department of Agriculture purchased durum wheat flour and made it available to the States. Today many States utilize the durum wheat flour for the processing of macaroni, spaghetti, and shells. The pasta products are highly nutritious and are "high" on acceptability.

The State of New Jersey will use approximately 2 million pounds of durum wheat flour this current fiscal year. A contract was awarded, through formal advertising (bid system), to a processor in Pennsylvania. The Government flour was shipped directly from USDA purchasing sources to the processor. It is then processed, packaged, and shipped to New Jersey. Through a central warehouse system it is then distributed to 1,000 recipient agencies, including institutions and summer camps, supporting approximately 680,000 individuals. The processing costs are passed on to the recipient agencies; however, they benefit by enjoying lower costs amounting to \$500,000. The cost to the recipient agency is \$1.60 for 20 pounds of the pasta product.

On the wholesale market they would pay about 38 to 40 cents per pound. I might add that retail prices are in the vicinity of 48 to 55 cents per pound.

I will mention soybean oil, which goes into the finished product of mayonnaise, is similar to the bidding on pasta products, resulting in a half-million dollars in savings to recipient agencies.

In the Northeastern States the food commodity program is reaching 5 million schoolchildren, a half-million individuals in institutions—including the elderly under the Older Americans Act, which get one hot meal a day 5 days a week—and gentlemen, in the Older

Americans Act bill passed by Congress it stated therein that Government commodities could be utilized. Also we are reaching a little less than one-half million Boy Scouts, Girl Scouts, underprivileged children, and so forth in summer camps.

The U.S. Department of Agriculture wants to dump the food commodity program that has been of great value to millions of individuals across the Nation. There is indication that the Assistant Secretary of Agriculture Clayton Yeutter will do all in his power to end the food commodity programs.

First, there will be a cutback in funds, as I have indicated. The second step would be not utilizing the funds to purchase commodities resulting in a cash flow to schools. Institutions will be dropped completely with no cash flow. The cash flow of 7 cents per meal could disappear when there is no base such as a food commodity base.

Remember, if there is a cash flow to schools in lieu of commodities, the volume buying power that was enjoyed in the past will be lost. Individual recipient agencies or an individual State cannot duplicate the savings that USDA has realized in volume purchasing.

Gentlemen, to maintain the program at this year's level you must consider that the increases in food costs can bring the appropriation in dollar value up to the projected costs. We in a commodity program in the Northeast and Southeast join together to fight the present administration in USDA to continue the food commodity programs for schools, institutions, summer camps, and in support of disasters and related programs.

At this point I would like to refer to my comments on Mr. Clayton Yeutter's statement before the Senate Subcommittee on Agriculture Research and General Legislative Subcommittee on March 27, 1974. You can determine that his comments are not true or sound comments. It will be dangerous to our population if the food commodity program is dropped and there is no on-going program that will meet our needs.

I congratulate such Congressmen as you have on your committee here and also Congressmen Edward Patten and Robert Roe from New Jersey, for the effort they have taken to help millions of individuals across the Nation. Of course, this includes Senator McGovern in the Senate and Gov. Brendan Byrne from the State of New Jersey.

For the record I would like to submit a report by the U.S. News & World Report of April 15, 1974, titled "Shaping Up: A 'Grave Threat' to School Lunches."

Chairman PERKINS. Without objection it will be inserted in the record.

[Article follows:]

[U.S. News & World Report, April 15, 1974]

SHAPING UP A "GRAVE THREAT" TO SCHOOL LUNCHES

The cheap but nourishing lunches served to millions of children in school cafeterias have long been an accepted part of the American way of life—but that way is about to change.

Beginning June 30, the Department of Agriculture will start a "phase-down year" of buying surplus foods for distribution to public schools.

That decision will end federal control of the National School Lunch Program, which got under way in 1946. It will also mark a turnabout in the Government's efforts to find outlets for surplus foods since the first guidelines for commodity buying were set up in 1935.

The reason, according to Administration spokesmen, is simple: Surplus food is getting scarce.

What this is likely to mean is added headaches and possibly rising budgets for school administrators across the country. Protests already are pouring into the nation's capital.

A *changing market*. Main points at issue between school authorities and the USDA are these:

The educators contend that only the Federal Government, with millions to spend on commodities in vast quantities, has the purchasing power to provide lunches at a cost that students from poorer families can afford.

Federal authorities answer that, with the rising worldwide demand for agricultural products, their leverage to buy in volume at below-market prices is fast dissolving.

The recent record shows this: In 1973, surplus food channeled into schools fell about 70 million dollars short of filling lunch-program needs. The USDA contributed funds to bridge the gap.

Next year, Agriculture economists say, the situation could be even worse, with the shortage of basic food commodities growing more critical.

Edward J. Hekman, administrator of the Food and Nutrition Service, told a Senate committee conducting hearings on the school-lunch program:

"Our efforts to purchase foods, even at market levels, are facing stiff competition, the result being that sometimes USDA receives no bids on orders at all."

Still, there is no intention to leave the school-lunch program completely in the lurch. Assistant Secretary Clayton Yeutter suggested that the USDA hand over to State food-purchasing offices all money appropriated for lunches. Last year, that would have amounted to 313.7 million dollars.

According to an Agriculture spokesman, this shift in purchases to the States would have little effect on a number of schools.

"Many school districts," he said, "have been buying about 80 per cent of their commodities locally anyway."

Shock to schools.—But other districts which lack purchasing and distribution systems are—in the words of one official—"absolutely stunned."

An authority in the Montgomery County, Md., school system said:

"We would lose quite a few of our staple items such as butter, flour, cornmeal. We would have to buy these locally at inflated prices. Even if USDA gave us extra money we wouldn't come out even. We don't have the purchase leverage they do."

A Virginia State official noted that the Government has already reduced the level of spending for the program by 23.7 million dollars and is seeking to cut it further. What schools need, he argued, is a 12 per cent increase.

A cook in one school wrote to a Senator: "I am sure our school-lunch program would go down in defeat if the USDA took from us these commodities that we are using in our 'lunches.'"

Gray Hodges, superintendent of the Beaufort, N.C., county board of education, wrote:

"There is no way we could purchase the same quantity or quality of foods. . . . Without the support of the USDA commodity program, our total school-lunch program will be in jeopardy."

In Springfield, Oreg., a food-service official estimated that, if the USDA ceases to buy commodities, at least 20 of the city's schools will have to go without a lunch program.

Cut in buying power.—On March 28, Ellsworth Reiss, president of a food-distribution association representing 13 States and the District of Columbia, told a Senate Agriculture subcommittee:

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

Senator George McGovern (Dem.), of South Dakota, has introduced a bill which would extend the authority of the USDA to buy commodities—even at above-parity prices—for two more years. But Agriculture officials warned that, if the McGovern measure becomes law, "we will be in the commodity-procurement business forever."

Even as the USDA prepared for the "phase-down year," however, President Nixon announced the purchase of 45 million dollars' worth of beef to be distributed as hamburger to schools.

"In a quandary." The action was described as a help to cattlemen in disposing of a surplus in beef. However, John G. Mohay, executive vice president of the National Independent Meat Packers Association, said it left packers "in a quandary."

If the USDA wants "choice" beef, as it has indicated, he said, "I don't see how it could be provided for less than a dollar a pound." This could bring further pressure toward higher prices in lunchrooms and family kitchens.

Opinion favoring the phaseout is not unanimous even within the USDA. Says one of its food-service officials:

"If the USDA goes out of the commodity business, surpluses will go begging. There will be no way to buy or distribute them. Don't forget your distribution centers will be phased out, too.

"We'll be back to killing animals again as we did in the 1930s when all this got started."

Colonel Reiss. Gentlemen, I will not go into my comments on Clayton Yeutter because it is part of the record. However, this morning Mr. Hekman mentioned something about disasters and I would like to read one part on disasters. This is a statement by Mr. Clayton Yeutter:

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

My comment: Why should we destroy a system that has been successful in supporting many disaster areas during the past few years?

Chairman PERKINS. Let me interrupt, please. We must leave very soon to answer a quorum call of the House, but first we'd like to hear from our other witness. Mr. Mack, if possible.

Colonel REISS. Thank you, Mr. Chairman.

[Full statement follows:]

PREPARED STATEMENT OF COL. ELLSWORTH C. REISS, RET. PRESIDENT NORTHEAST AREA COMMODITY DISTRIBUTION ASSOCIATION AND COORDINATOR FOOD COMMODITIES, STATE OF NEW JERSEY

Mr. Chairman and Members of the Committee:

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

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

We appreciate this opportunity to discuss the Proposed FY 1975 Food and Nutrition Service Budget of the United States Department of Agriculture pertaining to Food Commodities for Schools and Institutions and also to comment on the Perkins Bill HR 13108.

Attached as Exhibit No. 1 you will find the FY 1974 and the proposed FY 1975 FNS Budget, U.S. Department of Agriculture for Child Nutrition and Institution Programs. It can be noted that the FY 1975 Budget for the Child Nutrition Programs is \$23.7 million less than in FY 1974. The U.S. Department of Agriculture economists indicate a food price level averaging 12 percent above the past year. Using the 12 percent as a minimum increase it amounts to \$37.6 million. Therefore, the budget for FY 1975 should read no less than \$351.3 million for the Child Nutrition Programs.

This same situation applies to the budget in Food Distribution to Institutions. The FY 1975 budget is \$2.3 million less than FY 1974. Considering the 12 per-

cent increase in price this amounts to \$2.2 million. The \$2.2 million added to last years budget amounts to \$21.1 million. Therefore, the budget for FY 1975 should read no less than \$21.1 million.

In the Perkins Bill H.R. 13168 line 2 and 3 on page 2 indicates "to maintain the annually programmed level of assistance for schools, domestic relief distribution, and other domestic relief distribution as are authorized by law." To actually maintain the annual level of assistance there must be sufficient dollar input into the food programs. If we get the annual or traditional level in dollars and the food index increases it will result in less product. To overcome the budget deficit from last year and considering the 12 percent increase in food prices for us to meet our objective the budget for FY 1975 should read as follows:

	<i>Million</i>
Commodities to schools	\$351.3
Food Distribution to Institutions.....	21.1

The overall food expenditures have doubled since 1965. See Exhibit No. 2 attached. However, the U.S. Department of Agriculture food commodity expenditures has remained almost dormant.

It is the opinion of some of the legislators that many of the eligible recipient agencies do not want the raw commodities because they are difficult to handle in the kitchen. This is not an absolute opinion. Over the many years the recipient agencies have obtained adequate equipment to process these raw materials. Also during the past three years we have made substantial gains in the food processing field. I will cite some examples:

a. Durum Wheat Flour—many years ago the City of Philadelphia processed bread flour into macaroni and spaghetti. It was an inferior product for pasta products, however it was nutritionally accepted in the School Lunch Programs. Approximately three years ago the U.S. Department of Agriculture purchased durum wheat flour and made it available to the states. Today many states utilize the durum wheat flour for the processing of macaroni, spaghetti and shells. The pasta products are highly nutritious and are "high" on acceptability. The State of New Jersey will use approximately two million pounds of durum wheat flour this current fiscal year. A contract was awarded, through formal advertising (bid system), to a processor in Pennsylvania. The government flour was shipped directly from USDA purchasing sources to the processor. It is then processed, packaged and shipped to New Jersey. Through a central warehouse system it is then distributed to 1000 recipient agencies, including Institutions and Summer Camps, supporting approximately 680,000 individuals. The processing costs are passed on to the recipient agencies, however, they benefit by enjoying lower costs amounting to \$500,000.00. The cost to the recipient agency is \$1.60 for 20 pounds of the pasta product. On the wholesale market they would pay about 38 to 40 cents per pound. I might add that retail prices are in the vicinity of 48 cents per pound.

b. Soya Bean Oil—during the past two years many states ordered soya bean oil for the processing of mayonnaise. I will use New Jersey again as an example. A bid was solicited with an award going to a processor in Maryland. The soya bean oil was shipped directly to the processor who produced four-one gallon plastic containers per case. The mayonnaise was shipped as ordered to New Jersey. The final cost to the recipient agency was \$5.20 per case. On the wholesale market this was priced at \$13.50 to \$16.50 per case. The recipient agencies will realize a savings amounting to over \$400,000.00.

c. Cranberry Sauce—at one time the USDA purchased fresh cranberries for distribution to the states. This item was acceptable but it was "hard to work with" in the kitchen. Today the cranberries are processed at a low cost and distributed to schools in No. 10 cans. This item now has longer shelf life and is highly acceptable.

d. Many other items include:

Bread and Bread Products—utilizing flour and shortening purchased by USDA. The value of the purchased items is subtracted from the lowest bid price by the processor.

Pizza pies—utilizing flour.

Concentrated orange juice—this is not a raw material, however, for better utilization it is processed into orange popsicles, orange ice and 4 oz. containers of orange juice.

Canned Vegetarian Beans from beans.

Turkey Rolls from whole raw turkey.
 Cake Mixes from USDA flour.
 With a little ingenuity the raw commodities can be processed into many useful end products.

You can determine from the above that the US Department of Agriculture and the states are doing an excellent job in processing raw food commodities into a more useful end product that is highly nutritional. If these raw materials are not made available by the US Department of Agriculture all our processing experience and savings to recipient agencies will be lost.

In the Northeastern States the food commodity program is reaching over 5 million school children, 500,000 individuals in institutions and 430,000 Boy Scouts, Girl Scouts, underprivileged children, etc. in summer camps. I want to strongly emphasize the need for the continuance of the food commodity program at adequate levels to support the nutritional needs of millions of deserving individuals in our schools, institutions and summer camps. Under the Older American Act the elderly can receive one meal a day for five days a week and USDA food commodities have been authorized to be used by Congress. Also these food commodities are the only Federal/State food bank available to help feed those in distress during natural disasters.

CLOSING STATEMENT

The US Department of Agriculture wants to "DUMP" the food commodity program that has been of great value to millions of individuals across the nation and there is newspaper indication that the Assistant Secretary of Agriculture will do all in his power to end the Food Commodity Programs. We believe that his first step is to cut back the funds as indicated in Exhibit No. 1. His second step could be not utilizing the funds to purchase Section 32 and Section 416 food commodities resulting in a cash flow to schools during the end of the fiscal year. The cash flow (seven cents per meal) could disappear when there is no base, such as the food commodity base. Also please remember that if there is a cash flow to schools in lieu of commodities, the volume buying power they have enjoyed in the past will be lost. Individual recipient agencies or an individual state cannot duplicate the savings that the US Department of Agriculture has realized in volume purchasing.

Gentlemen, to maintain the program at this years level you must consider the increase in food costs and bring the appropriation, in dollar value, up to that projected cost. We in the commodity programs in the Northeast and Southeast, join together with all our might to fight to continue the Food Commodity Programs for Schools, Institutions and Summer Camps.

EXHIBIT NO. 1

PROPOSED FISCAL YEAR 1975 FNS BUDGET U.S. DEPARTMENT OF AGRICULTURE

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

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

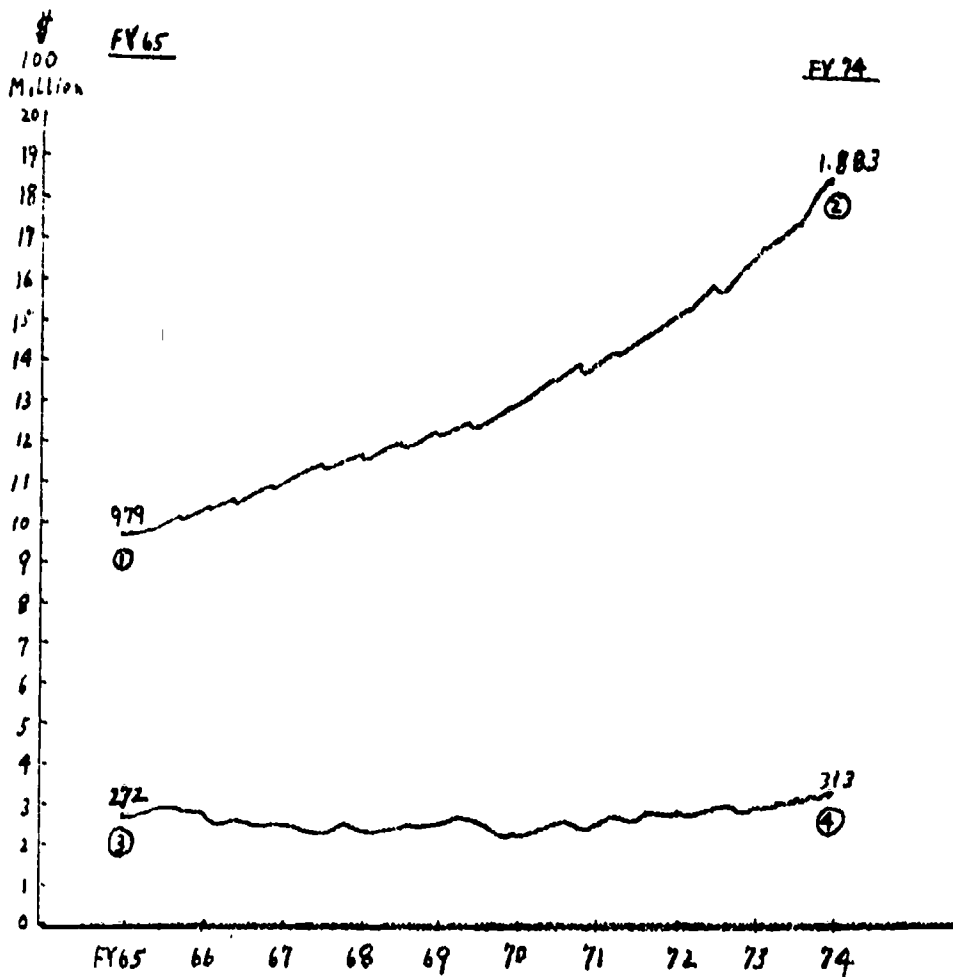
Note: Please note a reduction in commodities amounting to \$23,700,000 difference in fiscal year 1974 versus 1975. This means a decrease in each State participating in the school lunch program. When prices are going up why is the budget reduced for fiscal year 1975?

Food distribution to institutions are reduced in the budget from \$18,900,000 in fiscal year 1974 to \$16,000,000 in fiscal year 1975 amounting to a decrease of \$2,900,000. Again prices are going up, therefore, why is the budget reduced for fiscal year 1975?

EXHIBIT No. 2

NSLP

Food Expenditures



Total Food Expenditures - ①② Local plus USDA Commodities.
 USDA Food Commodities - ③④

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

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

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

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

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

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

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

2. Item not available—such as dry milk.

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

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

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

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

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

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

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

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

(f) "In the past, food for emergency feeding has been a sideline of ongoing food distribution programs. Today we no longer have government food stockpiles and massive distribution systems. To the extent that state and local school districts continue to maintain inventories of food, those inventories should continue to be available for disasters. To the extent that they

do not meet disaster assistance needs, we in the Federal Government should work with the nation's commercial food distribution system to develop means to supplement and complement these inventories.

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

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

STATEMENT OF JAMES E. MACK, MANAGING DIRECTOR AND GENERAL COUNSEL, PEANUT BUTTER MANUFACTURERS AND NUT SALTERS ASSOCIATION, WASHINGTON, D.C.

Mr. MACK. Mr. Chairman, my name is James E. Mack. I am general counsel of the Peanut Butter Manufacturers and Nut Salters Association, which is as the name implies the national trade association of peanut butter manufacturers, nut salters and suppliers to the industry. This appearance is entered in support of H.R. 13168.

For many years peanut butter has been an integral part of the school lunch program nationwide of the U.S. Department of Agriculture. We believe it is in the interest of the schoolchildren and the Nation to have this Federal Government distribution of peanut butter made through the school lunch program. Children like peanut butter. While food authorities might have different opinions about various foods, they seem to be all in agreement that peanut butter is one of the finest foods with a high protein value. Peanut butter is a food which children like, which nutritional authorities agree they should eat. There are not many foods which so qualify, which is indicated by the fact that the USDA Food and Nutrition Service specifies it as a meat alternate for a type A school lunch meal.

We recognize that the Department of Agriculture would like to get out of the commodity distribution business, and we respect their business philosophy. In this instance, however, we think it is in the interest of the Nation to keep schoolchildren eating the excellent protein food of peanut butter which they like so well.

It is recognized that the Department favors continued operation of Federal Government school lunch financial support, but would do so by means of cash payments in lieu of the direct providing of food supplies. In this connection if the cash system is resorted to, it is pointed out that the schools could buy peanut butter and such other foods as they desire and that undoubtedly there would be significant quantity purchases of peanut butter.

The reason for our favoring the direct distribution of peanut butter rather than having school authorities purchase it on the open market is an obvious one. Even assuming school authorities should expend

an amount in dollars equivalent to the amount the Department of Agriculture spends to purchase peanut butter, the quantity obtained for child consumption would be much less.

Under the current program, the Government invites competitive bids. The peanut butter then is processed, packed, and shipped in accordance with Department of Agriculture specifications; and the Government and the schoolchildren get a lot of peanut butter for the money. Peanut butter distributed through the schools when acquired in this manner involves larger containers, quantity shipments, and reflects primarily the cost of the peanuts, of processing, packing, and shipping. The children simply would get much less peanut butter if it were purchased directly by State or local authorities than if acquired by the current central purchase program of the Federal Government.

Chairman PERKINS. Thank you, Mr. Mack, and let me thank all of you here today for your appearance. We have had an outstanding hearing this morning and we will try to get this bill to the full committee at the earliest possible date. Thank you all for your contributions.

The committee is now adjourned.

[Whereupon, at 12:15 p.m. the subcommittee adjourned, to reconvene at the call of the Chair.]

[Additional statements submitted for the record follow:]

PREPARED STATEMENT OF HON. EDWARD J. PATTEN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW JERSEY

Mr. Chairman and members of the House Subcommittee on Education, I strongly urge the approval of H.R. 13168, which would extend for 1 year the Commodity Distribution Program.

Several months ago, I was shocked—and outraged—to discover that the Nixon Administration favors the termination of the present program effective June 30th, 1974. This is one of the most useful and popular programs sponsored by the Federal government, so I believe it is imperative to extend the present system.

Under this program, schools in Middlesex County, N.J., received \$825,622 in various food items in the past year or so, with institutions allocated supplies worth over \$100,000, and senior citizens and boy scouts also benefiting. To say that the commodity distribution program is a real bargain to local school districts and others, would be a great understatement, for in effect, recipients obtain a "discount" of 94%, because all they pay is 6% for administrative and warehouse costs. As an example, if \$1,000 worth of food is delivered to a school, it only costs the school \$60.

The Administration points out that it would replace the present program with cash payments, but that would not be the solution. School districts would not be in a position to do volume buying, therefore the food would cost more—food ranging from meat to flour.

Mr. Chairman, just to give you one example of how much of a disadvantage it would be under the proposed new method, John F. Soboslay, director of government liaison for the public schools of Pittsburgh, Pennsylvania, wrote in a letter to me that if commodities were purchased by his school district, they would cost \$300,000 more in a year. Other districts would also suffer higher costs.

The present system should be continued, because it helps many thousands of students, persons in institutions, senior citizens, and scouts. It is also supported by the administration of Governor Brendan T. Byrne, of New Jersey, and many members of the N.J. Legislature. I am not supporting this bill simply because I have co-sponsored a similar measure. I am supporting it because it is a program that has proven its worth and value. Rep. John Melcher, of Montana, and Rep. Robert Roe, of New Jersey, deserve special praise for the strong and effective leadership they have shown in this important fight. They have earned the gratitude of thousands.

Another outstanding leader in this battle should be commended. On Thursday, March 28th, 1974, an impressive and eloquent statement in support of the present program was made before a Senate subcommittee by Colonel (Ret.) Ellsworth C. Reiss, coordinator of the New Jersey Commodity Program, and president of the Northeast Area Food Distribution Association.

In his very effective statement before the Senate Subcommittee for Agriculture Research and General Legislation, Col. Reiss cited the great need that exists for extending this constructive and valuable program. It is a convincing document that commands respect, and calls for swift and responsible action.

Mr. Chairman, H.R. 13168 should be passed soon. Public support for it is growing and time is growing dangerously short.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 30, 1974.

HON. CARL D. PERKINS,
Chairman, General Education Subcommittee,
Washington, D.C.

DEAR MR. CHAIRMAN: I am expressing my continuing support for legislation before your subcommittee which would amend the National School Lunch Act and continue the food commodities program so vital to our institutions which service children and the poor.

My support for H.R. 13650, of which I am a co-sponsor, is strong as I mentioned in my testimony submitted to your subcommittee. It is my belief that H.R. 13650 should receive the full approval of the General Education Subcommittee membership as written, and I am sure that my colleagues from New Jersey would concur.

A further argument in favor of the approval of the bill is that New Jersey's food commodities are not limited for use by New Jerseyans. Those food stuffs have many times in the past been rushed to emergency disaster areas including some of the recent disasters in the middle states—caused by flooding and tornadoes.

It is my hope, and I do urge, that the General Education Subcommittee acts quickly and positively by approving the legislation.

Warm personal regards,

Sincerely,

EDWARD J. PATTEN,

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C., April 10, 1974.

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

DEAR MR. CHAIRMAN: It has been brought to my attention that your Committee is considering legislation to continue the Commodity Distribution Program for school lunches and other purposes. Please understand that I don't want to presume to suggest to you how your Committee should operate, but since you are already providing assistance for various educational programs, you might well wish to use an education bill as the basis of this assistance. Perhaps the Elementary or Secondary Education Acts could be the appropriate vehicles. Certainly the use of Agriculture Department funds for financing non-surplus food acquisitions would, in my opinion, be not only inappropriate, but an invasion of the basic jurisdiction of the Agriculture Committee.

In this regard, I would point out to you that the language of the bills which you are now considering is nearly identical to bills which had earlier been referred to and are now pending before, this Committee, with the exception that the bills sent to your Committee amend the National School Lunch Act, while the bills referred to our Committee amend Section 4 (a) of Public Law 93-86, the Agriculture and Consumer Protection Act of 1973.

As you will recall, I am on record as saying that since the Commodity Distribution Programs at this time fail to serve a basic agricultural function, but instead serve basic educational or nutritional purposes, that the Committees with jurisdiction over these respective areas may want to propose legislation developing new programs to meet the needs of those formerly served by the old Commodity Dis-

tribution Programs. However, I strongly oppose any other Committee with jurisdiction in these areas acting on legislation which calls for the expenditure of Agriculture funds. In my opinion, education appropriations, not Agriculture appropriations, should be used to finance educational programs. While I have and plan to continue to support the school lunch program since your Committee has assumed jurisdiction thereof, and while I would not allow any jurisdictional question to control my vote on an extension of a commodity distribution program, I would strongly oppose efforts to encroach on our jurisdiction to control the authorization of expenditures within the Department of Agriculture.

I would request that my letter be inserted in the hearing record of your Committee on this legislation.

With every good wish, I am
Sincerely,

W. R. POAGE,
Chairman.

PREPARED STATEMENT OF T. G. SMITH, JR., COORDINATOR FOOD SERVICE AND LOCAL ACCOUNTING, ALABAMA DEPARTMENT OF EDUCATION, BEFORE THE SENATE AGRICULTURAL RESEARCH AND GENERAL LEGISLATION SUBCOMMITTEE, MARCH 28, 1974

Mr. Chairman and Members of the Committee: My name is T. G. Smith, Jr. I am Coordinator of Child Nutrition Programs which are administered by the State Department of Education for the State of Alabama.

Mr. Chairman, may I say that it is an honor for me to have the opportunity to testify before this committee on behalf of the boys and girls of Alabama and the nation.

The Commodity Distribution Program in Alabama has traditionally been one of the strongest and most important components of the Child Nutrition Programs. This is the one program that has succeeded in working out acceptably shared Federal, State, and local responsibilities.

In the time allotted to me for this testimony, I would like to point out several reasons or justifications why we think Section 4(a) of Public Law 93-86 should be a permanent part of Child Nutrition Program legislation.

First of all, Alabama has not developed extensive warehousing facilities at the state level. Our efforts have been directed toward assisting school systems acquire and improve storage at the local level. Many Superintendents and food service directors have indicated to me that even though they have reasonably adequate storage facilities, they do not have the necessary staff (purchasing agents and economists) to purchase the foods that they are presently receiving as donated commodities.

	Revenues needed based on weighted value of commodities, 14 percent inflation and present level of participation	Revenues based on present participation level and 7 cents per meal	Difference
1972-73 ¹	\$9,630,277	\$6,825,000	\$2,805,277
1973-74 ²	10,978,516	6,825,000	4,153,516
1974-75 ²	12,515,508	6,825,000	5,690,508
1975-76 ²	14,267,679	6,825,000	7,442,679

Note: Participation level, 97,500,000.

¹ Actual.
² Projected.

There are 127 school systems in Alabama, and they vary in size from 58,010 in Mobile to 322 in Florida our smallest school system. The following is a breakdown of school systems by average daily attendance.

- 1 school system has more than 50,000 students.
- 3 school systems have between 25,000 and 49,999 students.
- 2 school systems have between 10,000 and 24,999 students.
- 24 school systems have between 5,000 and 9,999 students.
- 59 school systems have between 2,000 and 4,999 students.

And, 38 school systems have fewer than 2,000 students.

A majority of the school systems in Alabama are not large enough to employ a qualified—certified food service supervisor—much less a purchasing agent who has the necessary background and experience to write specifications.

The Department of Agriculture, on the other hand, has the organization, personnel, and the necessary expertise to purchase, warehouse, and distribute the quality and quantity of basic food items needed for Child Nutrition Programs.

We have been told that the Commodity Distribution Program has outlived its usefulness, that it is no longer applicable to our present Agricultural Program. This, I sincerely doubt. Restrictions have been lifted—now farmers may plant as much of any crop as they wish. Reports are that there will be approximately four percent more acres in production this year. There is entirely too much uncertainty in farming for the Department of Agriculture or any other department, for that matter, to keep from having surpluses. There may not be large nationwide surpluses, as in the past, but I feel sure that there will be a need for distributing and utilizing surplus foods. I know of no better way to utilize these foods than to make them available to the boys and girls of this nation.

The proposed seven (7) cents of cash in lieu of commodities will not enable schools to maintain the quality or quantity of meals that are presently being prepared and served today. With inflation increasing at approximately 14% each year, the proposed cash allocation will not buy in FY 75 what it has bought in FY 74. The following chart is a comparative analysis of how the cash in lieu of commodities would shrink due to inflation.

As indicated earlier, Alabama like most states has strived constantly to develop ways and means to utilize the foods made available through the Commodity Distribution Program. The quality of these foods has always been superior. The variety on the other hand, has been a challenge.

Realizing the importance of menu variation, we have developed training programs and in-service programs around menu planning that incorporate the use of commodities. Very few of our schools can afford "convenience foods", therefore, we prepare, from scratch, most of the foods served in the schools of Alabama—practically all of our schools bake their bread and most of them bake it daily.

The following chart shows the dollar value of donated commodities received and used in Alabama during the period 1969-1973.

DOLLAR VALUE COMPARISONS OF COMMODITIES RECEIVED 1969-73

Area	1969-70	1970-71	1971-72	1972-73
Counties.....	\$5,603,048	\$6,311,486	\$7,611,630	\$6,285,690
Cities.....	2,700,038	2,857,248	3,819,100	3,344,587
Private schools.....	172,565	216,508	223,065	219,252
State operated schools.....	77,497	43,581	40,472	46,911
Child care centers.....	11,104	16,375	66,074	66,783
Head Start centers.....	80,106	55,268	66,926	53,701
Institutions.....	561,536	327,689	463,775	285,575
Summer camps.....	11,486	4,626	20,137	18,779
Workshops.....	2,755	2,798	3,109	1,800
Technical and trade schools.....		18,766	896	580
Grand total.....	9,220,135	9,854,345	12,315,184	10,323,658

The number of different types of commodities received this year and four previous years totals: 1973-74—29, 1972-73—29, 1971-72—39, 1970-71—34, 1969-70—34.

A comparison of the national average of commodities received to the state average received for prior four years.

1972-73, National average, .064 food; .017 shortfall; total .081.

1972-73, State average, .0807 food; .0180 shortfall; total .0987.

1971-72, National average, .079; State average, .1108; 1970-71, National average, .072; State average, .0974; 1969-70, National average, .075; State average, .0929.

Based on the most recent available weighted values on commodities received through February 1974 for FY 74 the total value for Alabama is: \$5,466,144.00.

Since approximately 92% of the commodities distributed in Alabama go to public schools, the weighted value of donated commodities per meal for Alabama this year to date is .082 cents per lunch.

These charts also bring into focus the value of donated commodities made available to agencies other than public schools. Alabama distributes commodities to the following agencies, most of which, as I understand, will not be eligible to receive proposed funds made available in lieu of commodities.

- 47 Private Schools.
- 6 State Operated Schools.
- 124 Child Care Centers.
- 81 Head Start Centers.
- 123 Institutions.
- 37 Summer Camps.
- 12 Workshops.

Disaster feeding is another strong justification for continuing the Commodity Distribution Program. On two different occasions *last year*, schools in Alabama were used when disasters hit. The first time was when a tornado hit central Alabama, and a second time was in northwest Alabama when the Tennessee River overflowed its banks.

The average cost of producing lunches in Alabama through the period February 28, 1974 is 68.8¢.

	Cents
Average cost of producing each lunch.....	68.80
Value of USDA donated commodities.....	8.20
Less federal reimbursement (Section 4 reimbursement—July 1, 1973 through December 31, 1973).....	10.00
Less federal reimbursement (Section 11—July 1, 1973 through December 31, 1973).....	<u>45.00</u>
Unaccounted for.....	5.60
Average cost of producing each lunch.....	68.80
Value of USDA donated commodities.....	8.20
Less federal reimbursement (Section 4 reimbursement—January 1, 1974 through June 30, 1974).....	10.50
Less federal reimbursement (Section 11 reimbursement—January 1, 1974 through June 30, 1974).....	<u>47.25</u>
Unaccounted for.....	2.85

40,427,110 lunches were served in Alabama during the period July 1, 1973 through December 31, 1973. These lunches times the 5.6 cents which is unaccounted for amounted to a loss of \$2,263,918.00 to the program. 21,170,872 lunches were served in Alabama during the period January 1, 1974 through February 28, 1974. These lunches times the 2.85 cents which is unaccounted for amounts to a loss of \$603,626.00 to the program.

This is a combined loss of \$2,866,544.00 to Child Nutrition Programs in Alabama for the period ending February 28, 1974.

We prefer to continue with the Commodity Distribution Program rather than to receive cash in lieu of commodities for these and other obvious reasons. But, if on the other hand, it is determined that the Commodity Distribution Program has outlived its usefulness—that it is no longer applicable to our present Agricultural Program, we would earnestly and sincerely solicit your support to pass legislation that would adequately fund the replacement measure. The presently proposed 7 cents per meal is not adequate. Furthermore, if the level of funding is not tied to some kind of an index, one that has an escalating clause, we may very well be taking a step backward.

May I say again Mr. Chairman, that I appreciate the opportunity to appear before this Committee in behalf of the boys and girls of Alabama and the nation. I earnestly and sincerely solicit your continued support for Child Nutrition Programs for the youth of our nation.

I will be happy to answer any questions regarding my testimony.