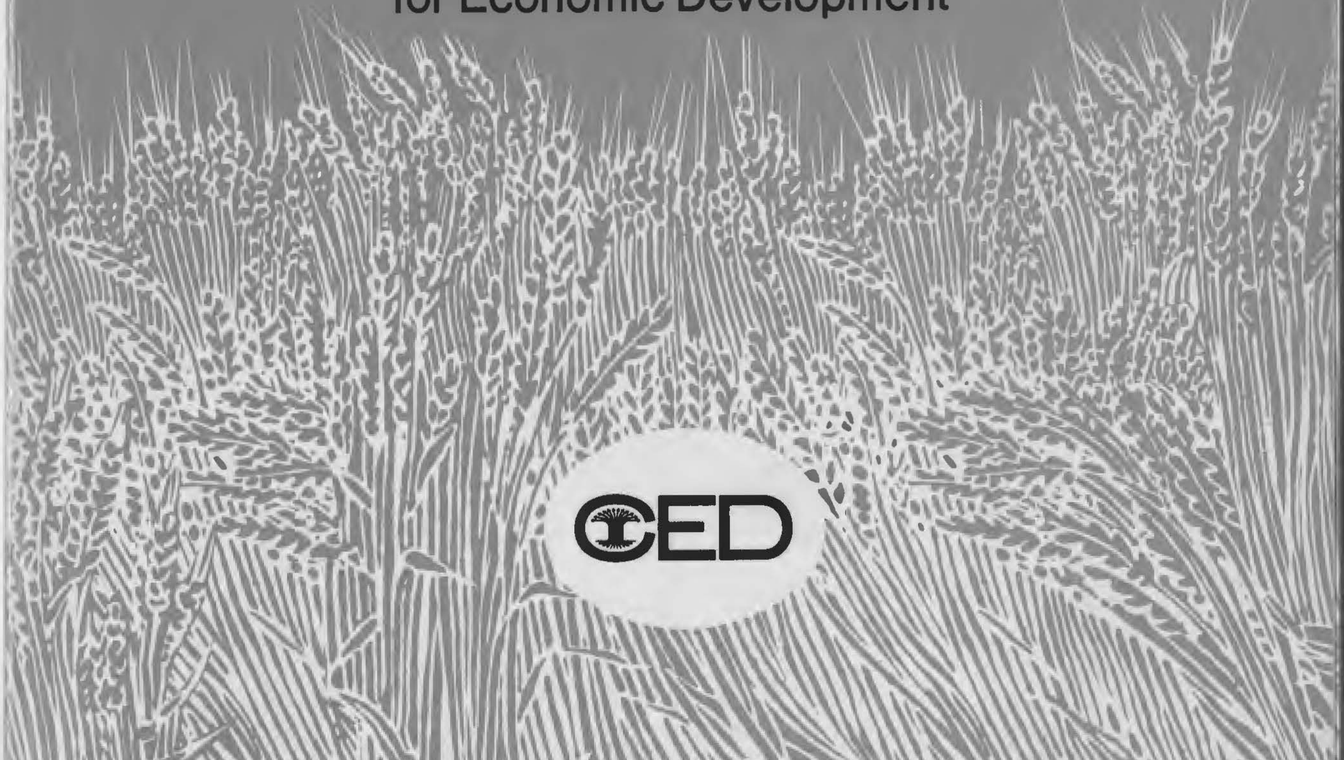
The original documents are located in Box 1, folder "Child Nutrition" of the Norman Ross Files, 1974-75 at the Gerald R. Ford Presidential Library.

Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

A New U.S. Farm Policy for Changing World Food Needs

A Statement by
the Research and Policy Committee
of the Committee
for Economic Development



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A Statement on National Policy by the Research and Policy Committee of the Committee for Economic Development

October 1974

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COMMITTEE FOR ECONOMIC DEVELOPMENT
477 Madison Avenue, New York, N.Y. 10022

Contents

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DECISION

MEMORANDUM FOR THE PRESIDENT

Subject: Department of Agriculture: Child Nutrition Block Grant Legislation

The attached letter from Acting Secretary Campbell was forwarded to you recommending that the Block Grant proposal included in your 1976 Budget with associated savings of $517 million "be dropped immediately and not be pursued further as a legislative objective."

The Secretary of Agriculture originally proposed the Block Grant approach in his October Budget submission in response to your effort to restrain budget expenditures. The basic policy objective was to limit the tremendous growth of overlapping and fragmented child nutrition programs, and to focus assistance on needy children.

Agriculture's latest recommendation reflects preliminary soundings taken on the Hill by the Department. They have encountered strong resistance to this proposal which is a major initiative in your 1976 Budget.

In December, the Department requested reconsideration of the proposal based upon concern about possible opposition. At that time, you reaffirmed your decision to include the Block Grant proposal in the budget. The Department's memorandum and your decision document are attached.

The current Departmental recommendation offers no substantive reasons beyond those discussed in the December correspondence. Therefore, OMB recommends a reaffirmation of your original decision to pursue the Block Grant proposal.

Decision

Approval ____________________

Disapproval ________________

for James T. Lynn
Director

Attachments

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

February 24, 1975

The Honorable Gerald R. Ford
The White House
Washington, D. C.

Dear Mr. President:

The 1976 Budget Message to the Congress contained provision for a Block Grant approach to funding of child nutrition programs. Such an approach assumes the discontinuance of several individual programs now in existence: School Lunch; Special Milk; School Breakfast; Women, Infants and Children; and Nonschool Food. The Department still supports the concept of the Block Grant approach. However, I recommend that the Block Grant proposal be dropped immediately and not be pursued further as a legislative objective.

Our judgment is that the Block Grant proposal has virtually no chance of being enacted into law. The grass roots opposition to Block Grant among supporters of the current set of programs is strong and growing. Committee leaders in the Congress have indicated that the proposal would have no chance of passage. Assistant Secretary Feltner has visited personally with Senators Talmadge, Dole, and Curtis and with Representatives Perkins and Quie. Congressman Perkins, who adamantly opposes the bill, said "I doubt that even if Al Quie and I were both in favor of the bill and did everything we could to support it you could get more than 70 votes on the floor of the House." Senator Talmadge indicated to me personally that the proposal "might get 10 votes on the floor of the Senate."

Overwhelming Congressional opposition is a safe assumption. Further, in fighting for a lost cause, we would greatly lessen any opportunities we have to work with Congress for desirable reforms in the existing child nutrition programs.

The Department of Agriculture initially proposed the Block Grant concept for possible inclusion in the 1976 budget and legislative package. By early December, 1974, however, severe adverse economic and political changes had occurred which prompted us to recommend to the Office of Management and Budget that the Block Grant proposal not be put forward.

A copy of that letter and supporting materials is appended. Economic and political events since December 11, 1974, have only tended to reinforce our belief that now is not the time to press forward with the proposal.

Sincerely,

J. Phil Campbell

J. PHIL CAMPBELL
Acting Secretary

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

December 11, 1974

Mr. Paul H. O'Neill
Deputy Director, Office of
Management and Budget
Washington, D.C. 20503

Dear Mr. O'Neill:

In recent years, there has been a tremendous growth in the Department's food-oriented welfare programs until they now cost approximately $6 billion annually, two-thirds of our budget. Each year, Congress continues to broaden these programs, increasing their coverage and benefits. The Administration needs to develop a strategy to counter this trend. Director Ash, in his July 22 policy guidance letter to the Secretary, requested the Department to search out ways to do this.

Therefore, the Secretary proposed a program of block grants to States to replace the existing Child Nutrition Programs. We believe this is a workable alternative to the present programs. However, the recent election resulted in a Congress which is likely to want to extend benefits even beyond current levels. With high food costs, it is possible that public support could be generated for even greater Federal outlays. The central question, therefore, is whether this is the appropriate time to advance this block grant proposal. We believe that this may not be the right time for this proposal and that a better alternative would be to reduce existing programs. This decision needs careful consideration beyond the level of the Department of Agriculture. The considerations are discussed in detail in the attachment to this letter.

I will be happy to discuss this further with you and to provide any additional information you may need.

Sincerely,

Richard L. Feltner

Richard L. Feltner
Assistant Secretary

Attachment

CHILD NUTRITION PROGRAM OPTIONS

Background

In his policy guidance letter of July 22 to Secretary Butz, Director Ash said that bringing the budget into balance will require that the President propose to the Congress both a balanced budget and legislation to achieve that objective. He asked that we vigorously search out ways to change entitlement programs or otherwise check the growth of uncontrollable programs. In response to this request, the Secretary proposed the replacement of the Child Nutrition programs with block grants to states. The amount of the block grant would be based on the total number of needy children in the country. It would provide sufficient funds to meet one-third of the recommended daily allowance for these children. States would have broad authority to expand the program to cover all children through either the use of other funds, or by assessing higher charges to non-needy children, or by a combination of these.

Advantages. The block grant approach offers several advantages over existing programs. It would

-- Accept as a Federal responsibility assistance to needy children, but reject Federal responsibility for feeding all children;

-- Simplify the administration and reduce costs at the Federal level by eliminating separate programs now in existence dealing with school lunch, free lunch for needy children, school breakfasts, equipment assistance, grants to states for administrative expenses, non-school food programs, commodity donations, special milk, and special programs for infants and pregnant and lactating women;

-- Permit maximum flexibility at the state and local levels in designing programs which they feel are best adapted to their needs;

-- Present a comprehensive approach to program reform, a viable alternative to the overlapping and duplicative programs now in existence;

-- Reduce Federal expenditures by about $0.5 billion below the cost of existing programs.

Disadvantages. Despite the above advantages which the block grant approach offers, there are problems associated with the program which should not be overlooked and which may now be more serious than when the proposal was initially offered. The block grant proposal would

-- Open up child nutrition to major legislative changes, and provide the proponents of the "universal free lunch program" with an opportunity to offer their program as a viable alternative. This will come at a time when the Congress is more "one-sided" than it was when the proposal was offered. The cost of a universal free lunch program far exceeds current program costs and would come at a time when excess Federal spending is a critical national problem. (The proponents of free programs may offer this alternative anyway since several programs are scheduled to expire on June 30, 1975.)

-- Be subject to amendment by the Congress to increase the amount of the block grant to the point where it may actually cost more than current programs;

-- Be difficult to get approval from the Congress. The food service organizations will almost certainly oppose this proposal. The Administration could possibly be saddled with a "failure" in one of its key positions. In addition, the Administration will already have its hands full defending the recent decision to revise the food stamp program.

-- Possibly subject the Administration to accusations of neglecting children in general and the "near-poor" in particular, criticism which will have strong emotional appeal despite the fact that the program as proposed meets the Administration's commitment to the needy;

-- Result in the states eliminating the program in communities with a small percentage of poor children;

-- Create problems regarding commodity donations; complete elimination of commodity donations to schools would cause states difficulty in maintaining delivery systems for other donation programs. In fact, it may cause states to dismantle their commodity handling systems. Though Section 32 would still be available as a surplus removal vehicle, commodities may have to be donated in addition to cash support instead of substituting the surplus removal cost for cash support.

<u>Alternatives</u>. In view of the changes which have occurred since the initiation of the proposal in October, consideration should be given to the following alternatives. A table comparing the cost of these alternatives is attached.

I. Pursue the block grant proposal as orginally suggested by USDA.

II. Do as little as possible to change existing programs on the premise that the Congress, as it will be constituted, will only move in one direction -- toward greater Federal responsibility and larger Federal expenditures in this area. This assumes that we would support the simple extension of those programs which would otherwise expire on June 30, 1975.

III. Attempt to pare down existing programs by opposing extension of the school breakfast, non-school food programs, and women, infants and childrens programs, all of which expire on June 30, 1975. This approach might be as difficult to get through the Congress as the block grant approach, but it might result in some limited success. The programs could be pared down to a dollar level consistent with the block grant approach. WE FEEL THAT IN LIGHT OF THE ABOVE CONSIDERATIONS, THIS ALTERNATIVE IS THE MOST ACCEPTABLE ALTERNATIVE FOR THE DEPARTMENT.

Comparison of Child Nutrition Progarm Alternatives

	Alternative III	Alternative II
Child Nutrition Programs:		
Section 4; regular lunch	$488,000	$488,000
Section 11; Free and reduced-price lunch	845,000	845,000
School Breakfast 1/	- -	84,525
Equipment assistance	28,000	28,000
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Nutritional Training and surveys	1,000	1,000
Operating Expenses for Child Nutrition	13,000	13,000
Subtotal	1,830,450	2,029,575
Special Milk Program 2/	- -	133,563
W.I.C. 1/	- -	100,000
Total	1,830,450	2,263,138
Block grant (Alternative I)	1,737,000	1,737,000
Savings	93,450	526,138

1/ Authorization expires on June 30, 1975.

2/ This program, although authorized, could be eliminated if no funds are appropriated in 1976.

December 11, 1974

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DECISION

MEMORANDUM FOR THE PRESIDENT

FROM : ROY L. ASH

SUBJECT: 1976 Budget Decision: Department of Agriculture (Child Nutrition Program)

In his October budget submission Secretary Butz proposed and I recommend that the 1976 budget amounts for the Child Nutrition program include a proposal to substitute a comprehensive bloc grant program for the present set of fragmented and complex child feeding programs. Assistant Secretary Feltner is suggesting reconsideration of this recommendation in a recent letter (Tab A). Secretary Butz has not taken a position.

Background

The USDA goal in food and nutrition programs is to alleviate poverty-caused hunger and malnutrition by helping assure that needy families have access to sufficient resources for an adequate diet. However, the present set of child feeding programs are far more costly than necessary to achieve that goal since they:

- provide extensive subsidies to non-needy;
- duplicate benefits to many participants; and,
- result, to a significant extent, in substitutions rather than net addition to food that would otherwise be consumed.

Analysis

We have provided a summary of the pros and cons submitted by USDA to form the basis for your decision on whether to advance the bloc grant proposal at this time. We have added OMB comment on these arguments; the three major options together with their budgetary impact; and our recommendation.

USDA Arguments For:

The child nutrition bloc grant would provide:

- a comprehensive approach to program reforms;
- complete coverage for all needy children;
- simplification of complex and confusing administrative requirements;
- savings of $526 mllion in fiscal year 1976 and $563 million in 1977 and the out years in Federal operating expenses by elimination of numerous individual child feeding programs; and,
- State flexibility to adjust programs to local preferences.

OMB Comment:

- The bloc grant would provide 100% Federal funding to children for a complete year. However, current reimbursement covers approximately 65% of the cost of meals provided all children for a school year. Thus, States would be released from their obligation to fund the matching requirements mandated by P.L. 91-248 of approximately $400M which they could use to continue subsidy of non-needy children at their discretion.

USDA Arguments Against:

- Any reform which appears to deliberalize the program could bring a counter-effort for a universal feeding program;
- Congressional amendments could scuttle estimated savings;
- It would be difficult if not impossible to get Congressiona approval of the proposal due to intense public interest group pressure;
- The Administration would be subject to accusations of neglecting children in general;
- States and especially local jurisdictions could be non-responsive or unfair in their treatment of needy children, and;
- Should surplus commodities again become available, donations would be made in addition to cash support for the bloc grant, rather than in lieu of cash as under current programs

OMB Comment:

- While a universal feeding program is a threat, it is doubtful that there would be any significant support. There is a general feeling that the current program is more than sufficient. This is opposed by many because of the excessive costs and the fact that States and local jurisdiction would have to surrender their perrogatives.

- With regard to the consequences of the proposal on the disposition of surplus commodities, the proposal could be written to include authority to provide commodities as a substitute for cash under the bloc grant as long as nutritional requirements could be met.

- The USDA bloc grant assumptions underestimate the universe of needy children by approximately 1.0 million. However, while immediate savings would not be as large as USDA estimates, the overall savings in subsequent years will be substantial.

USDA staff has identified three alternatives:

USDA Child Nutrition Program Alternatives

Outlays ($ millions)	1975	1976	T.Q.	1977	1978	1979	198
Alternatives:							
1. Do nothing	2,025	2,263	560	2,425	2,568	2,688	2,78
2. Bloc grant proposal	--	1,737	434	1,862	1,972	2,065	2,13
(savings)		(526)	(126)	(563)	(596)	(623)	(646
3. Pare-down existing program 1/	9,830	2,005	500	2,036	2,156	2,257	2,32

1/ Eliminate School Breakfast, Special Milk, Special Supplemental Feeding program for Women, Infants, and Children (WIC) and Equipment Assistance programs.

Alternatives 1 and 3 are not responsive to the need for fiscal restraint, nor do they implement the policy of limiting Federal feeding subsidies to those in need. If, under alternative 3, we proposed that the specific needy oriented programs expire, the Administration would be exposed to the probable extension of those programs with programmatic increases at least as great as those experienced in the past.

OMB recommends, therefore, that the acceptance of the Child Nutrition bloc grant proposal be reaffirmed and that USDA be encouraged to provide the necessary support.

Decision

Approval ______________________

Disapproval ____________________

Norm

THE WHITE HOUSE

WASHINGTON

File

2-25-75

TO: ~~Warren Hendriks~~ DuVal

For Your Information

For Appropriate Handling ✓

Copy sent to OMB (Jim Jura).

RDL.

Robert D. Linder

3/3

Duval - 2/25

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

February 24, 1975

The Honorable Gerald R. Ford
The White House
Washington, D. C.

Dear Mr. President:

The 1976 Budget Message to the Congress contained provision for a Block Grant approach to funding of child nutrition programs. Such an approach assumes the discontinuance of several individual programs now in existence: School Lunch; Special Milk; School Breakfast; Women, Infants and Children; and Nonschool Food. The Department still supports the concept of the Block Grant approach. However, I recommend that the Block Grant proposal be dropped immediately and not be pursued further as a legislative objective.

Our judgment is that the Block Grant proposal has virtually no chance of being enacted into law. The grass roots opposition to Block Grant among supporters of the current set of programs is strong and growing. Committee leaders in the Congress have indicated that the proposal would have no chance of passage. Assistant Secretary Feltner has visited personally with Senators Talmadge, Dole, and Curtis and with Representatives Perkins and Quie. Congressman Perkins, who adamantly opposes the bill, said "I doubt that even if Al Quie and I were both in favor of the bill and did everything we could to support it you could get more than 70 votes on the floor of the House." Senator Talmadge indicated to me personally that the proposal "might get 10 votes on the floor of the Senate."

Overwhelming Congressional opposition is a safe assumption. Further, in fighting for a lost cause, we would greatly lessen any opportunities we have to work with Congress for desirable reforms in the existing child nutrition programs.

The Department of Agriculture initially proposed the Block Grant concept for possible inclusion in the 1976 budget and legislative package. By early December, 1974, however, severe adverse economic and political changes had occurred which prompted us to recommend to the Office of Management and Budget that the Block Grant proposal not be put forward.

A copy of that letter and supporting materials is appended. Economic and political events since December 11, 1974, have only tended to reinforce our belief that now is not the time to press forward with the proposal.

Sincerely,

J Phil Campbell

J. PHIL CAMPBELL
Acting Secretary

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

December 11, 1974

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Washington, D. C. 20503

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I will be happy to discuss this further with you and to provide any additional information you may need.

Sincerely,

/s/ R. L. Feltner

Richard L. Feltner
Assistant Secretary

CHILD NUTRITION PROGRAM OPTIONS

Background

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2/ This program, although authorized, could be eliminated if no funds are appropriated in 1976.

December 11, 1974

[3/75]

Child Nutrition Block Grant Legislation

- The Committee Bill, H. R. 4222 will be on the House Floor March 24 and 25

-- The Senate has not held hearings but they can be expected very shortly after House passage.

-- Senator Talmadge Chairman of the Committee of Jurisdiction

[3175]

Draft

Background

Your 1976 Budget Message to the Congress contained a provision for a Block Grant approach to funding of child nutrition programs. Such an approach assumes the discontinuance of several individual programs now in existence: School Lunch; Special Milk; School Breakfast; Women, Infants and Children; and Nonschool Food.

The Secretary of Agriculture originally proposed the Block Grant approach in his October Budget submission in response to your efforts to restrain budget expenditures. The basic policy objective was to limit the tremendous growth of overlapping and fragmented child nutrition programs, and to focus assistance on needy children

Over the past several weeks Department of Agriculture officials have attempted to encourage enthusiasm among key Congressional leaders for the proposed Block Grant legislation

March 1, 1975

MEMORANDUM FOR: DONALD RUMSFELD

FROM: JAMES CAVANAUGH

SUBJECT: Department of Agriculture: Child Nutrition Block Grant Legislation

The President's 1976 Budget Message to the Congress contained a provision for a Block Grant approach to funding of child nutrition programs. Such an approach assumes the discontinuance of several individual programs now in existence: School Lunch; Special Milk; School Breakfast; Women, Infants and Children; and Nonschool Food.

The Secretary of Agriculture originally proposed the Block Grant approach in his October Budget submission in response to the President's efforts to restrain budget expenditures. The basic policy objective was to limit the tremendous growth of overlapping and fragmented child nutrition programs, and to focus assistance on needy children.

The Department of Agriculture forwarded to the President on February 24 a recommendation that the Block Grant proposal included in the 1976 Budget be dropped and not pursued further as a legislative objective. This recommendation reflected preliminary soundings taken on the Hill by the Department. Strong resistance to the proposal was encountered. In the judgment of the Department of Agriculture, the Block Grant proposal has virtually no chance of being enacted into law. The grass roots opposition to Block Grant among supporters of the current set of programs is strong and growing. Committee leaders in the Congress have indicated that the proposal would have no chance of passage.

The Department's recommendation was staffed through OMB and the White House. OMB, Domestic Council and Max Friedersdorf recommended that we continue to pursue the Block Grant proposal.

On March 1, Secretary Butz requested that the Department's February 24 letter not be sent to the President. The Secretary now also believes that we should continue to support the Block Grant approach.

The Department's February 24 letter is attached for your information at Tab A.

NROSS/pt 3-1-75
cc:WH files
XXXXXX

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

February 24, 1975

The Honorable Gerald R. Ford
The White House
Washington, D. C.

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Sincerely,

J. Phil Campbell

J. PHIL CAMPBELL
Acting Secretary

March 12, 1975

MEMORANDUM FOR: JIM CAVANAUGH

FROM: NORM ROSS

SUBJECT: House Action on School Lunches

The full House Education and Labor Committee met Tuesday, March 11, 1975, and marked up H. R. 3736. Eleven amendments were offered, of which ten were passed.

The first amendment, by Mr. O'Hara, authorizes a maximum payment of 25 cents by any child for a school lunch. The difference between 25 cents and the cost of the lunch on January 1, 1974, would be paid by the Federal government. The estimated cost was an additional $618 million, with an added participation of five million children. It passed by a vote of 27 to 12.

The Miller amendment increased the WIC authorization to $250 million. Passed unanimously.

William Ford offered an amendment requiring local school districts to qualify children for free lunches on the basis of current income of the head of the household. And the district must make a public announcement of this offer. It was passed by a vote of 31 to 3.

Mr. Chisholm's amendment separates the year-round special food service program feom the consolidation previously prevailing in H. R. 3736. The amendment was passed.

Mr. Jeffords added a subsection to section 12 in his amendment which provides for the purchase, by the Department, of agricultural commodities at the local level. This would allow local producers to offer bids on purchases. Passed unanimously.

A companion amendment on WIC was offered by Mr. Cornell, which raises the administrative cost percentage of funds from 10 to 15 percent. Passed unanimously.

Puerto Rico and the Virgin Islands were permitted to participate in the Special Milk Program, according to Mr. Benitez's amendment. Then Samoa and the Trust Territories were also added to the Program. Passed unanimously.

William Ford offered a second amendment--this one dealing with the summer feeding program. It permits groups to come into the program at any time. The four week time minimum of participation is abolished. The breakfast program is restored to the summer program, as it is now in the law. USDA must issue proposed regulations by January 1 and final regulations by March 1. The estimated additional cost is $4-10 million. It was stated that there is now "slippage" of $11 million, so there would be no net cost increase. The amendment was passed.

Very informally, it was unanimously voted that Puerto Rico, the Virgin Islands, Samoa and the Trust Territories would be eligible to participate in all the school lunch and child nutrition programs.

A unanimous consent request was asked for and obtained by Mr. Risenhoover to make a statement that USDA continue to acquire beef for the school lunch program.

Mr. Quie offered an amendment stating that the requirement that USDA purchase cereals and oils for the school lunch program in amounts purchased in 1974 be removed. The amendment was defeated by a vote of 16 to 23.

The Committee voted to report out H. R. 4222, with all language stricken after the enacting clause, and the amended language of H. R. 3736 substituted therein. This was agreed to by a vote of 34-2. Mr. Quie asked for and was granted permission to include minority views in the report on H. R. 4222.

Jim, at this time we don't have a plan to counter this action on the House floor and over in the Senate. We are developing a plan. The Administration testified in opposition to any continuation of the existing individual child nutrition programs. We favor a Block Grant approach to funding child nutrition programs. I am working out a strategy with White House Congressional relations, OMB And Agriculture.

NEROSS/ee

File

Statement By Stanley O. Feldman On Behalf Of

The National Association of Meat Purveyors

Before The

Senate Subcommittee on Agricultural Research and General

Legislation Regarding S850 --

The National School Lunch and Child Nutrition Act

Amendments of 1975

April 22, 1975

Good Morning, Mr. Chairman:

I am Stanley Feldman, the President of the Rueckert Meat Company of St. Louis, and here today representing the National Association of Meat Purveyors. Accompanying me are two other past presidents of the Association, Gordon A. Erickson, President of Grill Meats, Inc. of Sandusky, Ohio, and Peter H. Petersen, the Association's Washington Representative. NAMP is the only national organization that concerns itself exclusively with the interests and advancement of the meat purveying branch of the meat industry. We are over 400 strong nationwide and we specialize in supplying meats and other food items to the food service industry -- to the preparer of meals like those in the school lunch program.

Mr. Chairman, I have an understandable allegiance to these small businessmen and their cause, and I come before you to describe their frustrations in working with that is clearly a necessary and vital federal program. However, broader reasons than the problems of my industry bring me to this Subcommittee. Mr. Chairman, every day across the United States, I and my fellow members come into contact with the men and women who have the responsibility of producing meals for school children, some of them our own. They rely on us to provide some necessities. We are aware of the day-to-day problems they face in trying to put out lunches the children will eat, like, and find nutritious and at the same time the problems they face in coping with the administrative and costly burden of well-meaning federal assistance. The people in charge of the cafeterias live in our communities, know our children and our wives and are never reticent to tell us about the things that annoy them.

In other words, Mr. Chairman, I am not here simply on behalf of a limited constituency but because of an issue which affects every school district in the country and about which I have every opportunity to be thoroughly familiar.

I am here to reaffirm that the federal school lunch program not only is appreciated but is absolutely vital. I am here also to suggest a way that program can become even more successful while simultaneously saving the federal government as well as the local school districts substantial monies. A reduction in food waste -- a side effect of no little consequence in these times also would result. For all these reasons I am delighted to give you my comments on S 850 -- the National School Lunch and Child Nutrition Act Amendments of 1975.

Mr. Chairman, I will describe for you today the impact of the commodity meat buying program. Secondly, we will recommend alternative systems to that program.

One of the economic myths behind federal government commodity purchasing for school lunches is that dollars are saved by purchases of massive quantities of meat. Dollars are not saved; in fact the millions of dollars expended in addition to initial purchase costs make the program more expensive. Let me tell you why this is so.

Simple purchases and initial delivery costs are only the first entries on the balance sheet. When all the costs are added, commodity purchasing of meat and meat products results in higher costs, costs that can be cut. Mr. Chairman, I am talking solely about commodity purchases of meat -- there are other commodity purchases which should remain status quo, not only because they are essential, but because they do not have the extra cost problems which beset commodity purchases of meat. I will elaborate this point later in my remarks.

What happens when meats are purchased under the federal commodity program? There are initial costs in the commodity purchase, and at this first step, without looking too hard at the immense administrative costs to the federal government, the purchase appears to be a bargain. Disregarded or unseen costs usually begin to run immediately after the federal machinery has moved and completed the commodity purchase.

There are many stops along the way from the carload lot purchase to the hamburger patty on the school child's plate and what may have started out an apparent bargain becomes shockingly overpriced.

Government bids include only the initial freezing of beef. The initial delivery costs are not included; the tab begins to run when the refrigerated rail cars head from the purchase point to the states. The meat's first destination may be some central place in the state or perhaps a regional center. Once there, the frozen meat must be delivered from the rail cars to a commercial storage facility. It is unusual for the meat to go directly to a school freezer. In addition to delivery costs, there are handling and storage costs. It then takes more cash to distribute the frozen meat from the storage sites to the school. In many cases bulk ground beef is not functional for the schools. It needs to be processed: thawed, made into patties, and pre-cooked -- and then delivered to the local school or returned to the freezer for later distribution.

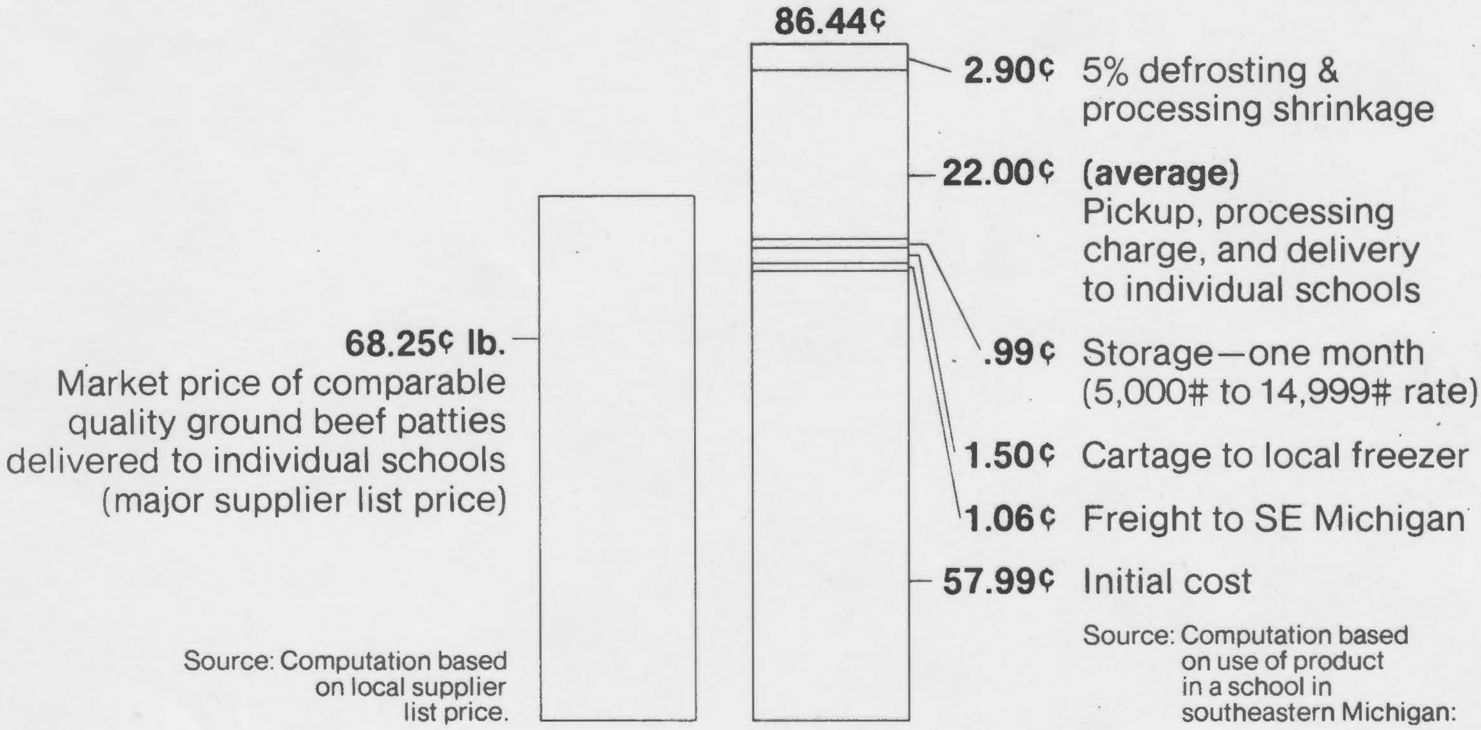
The process seems so sterile in analysis, Mr. Chairman, but think of your summer cookouts and imagine preparing and cooking hamburgers for 20,000 friends. Then you almost can imagine the dilemma confronting the local school cafeteria supervisor who receives bulk frozen ground beef and must thaw it, make it into patties, cook them, and serve 20,000 children. Processing before reaching the cafeteria quite often is the only way the school supervisor can handle the beef. So processing costs must be added to the total cost picture of the commodity beef purchase program.

The final costs are those incurred at the school. Schools have to store the processed meat, often refrozen after processing, so that freezer facilities are necessary as are refrigerated facilities for proper and safe thawing.

Depending on the state's storage set-up and the needs of the school at the local level, the initial federal government purchase costs are only a beginning. To this cost the commodity purchase of beef confronts at least one and usually several layers of transportation and delivery costs, storage and handling costs, distribution costs, and processing costs. Overall and attending each layer are administrative costs to the states.

Let us show you this verbalized picture in graphic form. In dollars and cents what is the ultimate cost of a pound of beef procured through commodity purchasing? For your easy viewing I have attached a reproduction chart to the copy of my testimony before you.

Ground Beef Patties



Hidden Costs

Calculations do not include:

1. Cost of operating federal commodity meat buying program.
2. Waste and additional labor in using bulk commodities in the schools.
3. Voluminous recordkeeping and reports required by government in accounting for commodities.

The chart compares the cost of commodity-purchased beef to equivalent cost if purchased locally. There are three categories in which ground beef reaches the majority of our schools: bulk, raw patties, and broiled patties. The chart shows the computation for ground beef patties, in other words, it is bulk ground beef which has been thawed, made into patties but not yet cooked. The index used is schools in southeast Michigan. Gentlemen, we pick this particular district because it is typical of a normal urban area and because it is not unduly far from the point of purchase.

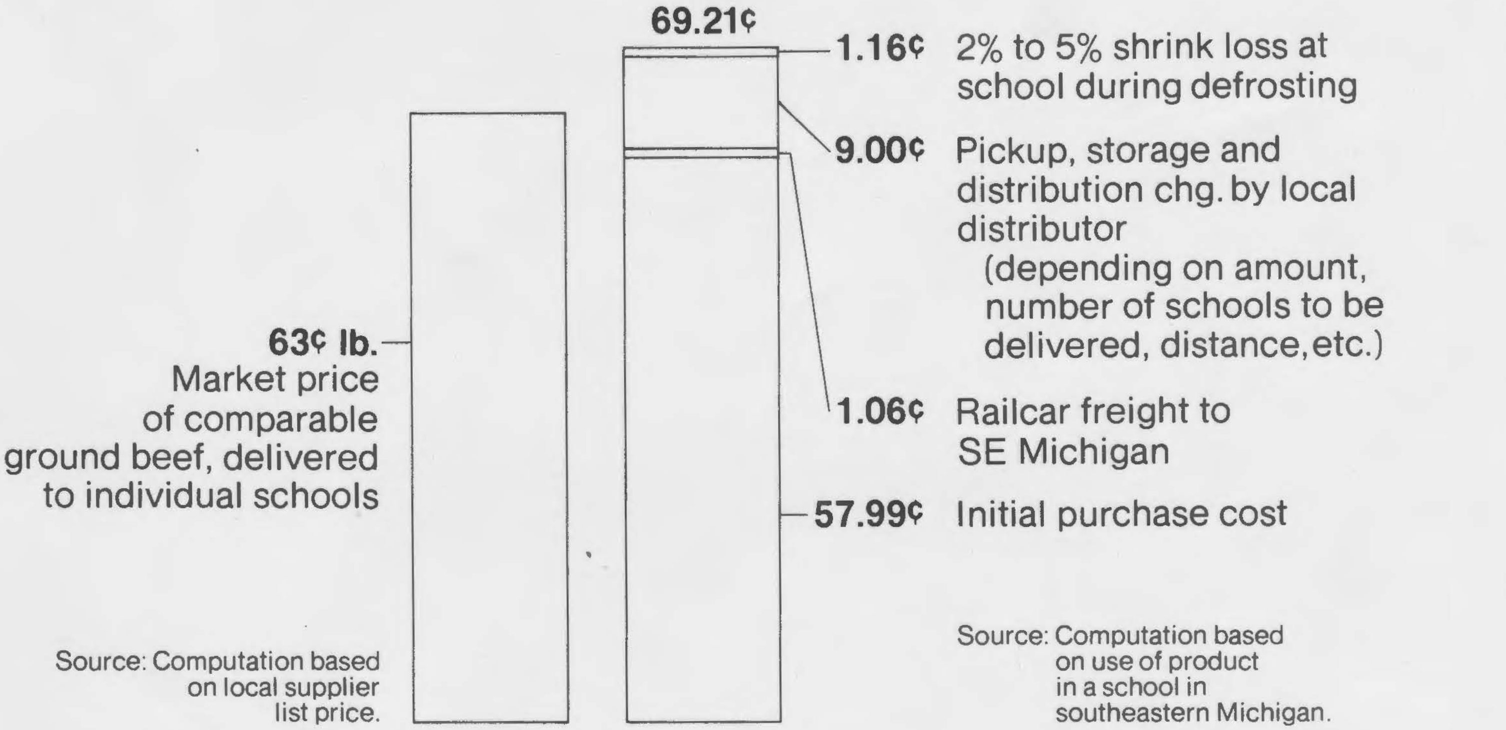
The initial cost of the commodity-purchased ground beef at this period was 57.99 cents per pound. This is the base price and what would seem at first look to be a bargain. Beyond the initial cost we have freight costs to southeast Michigan from the point of purchase of 1.06 cents per pound. Once the commodity ground beef has made it to southeast Michigan it has to be carried to the local freezer at a charge of 1.50 cents per pound. Storage costs are .99 cents per pound. Pickup and processing charges to take the bulk ground beef, thaw it, make it into patties, and deliver it to the individual schools has an average cost of 22 cents per pound. With 5% defrosting and processing shrinkage, costing 2.90 cents per pound we have a total cost of ground beef in raw patties made from commodity beef of 86.44 cents per pound.

The market price of comparable quality ground beef patties delivered to individual schools through a major supplier in the southeast Michigan area would have been 68.25 cents per pound. That is 68.25 cents per pound if purchased fresh and locally as compared to 86.44 cents per pound purchased nationally, frozen, shipped, stored, thawed, reworked, frozen again, shipped again, thawed again and quite possibly as much as ten months later with what nutrition and taste it has left, plopped on the tray of an unenthusiastic school child.

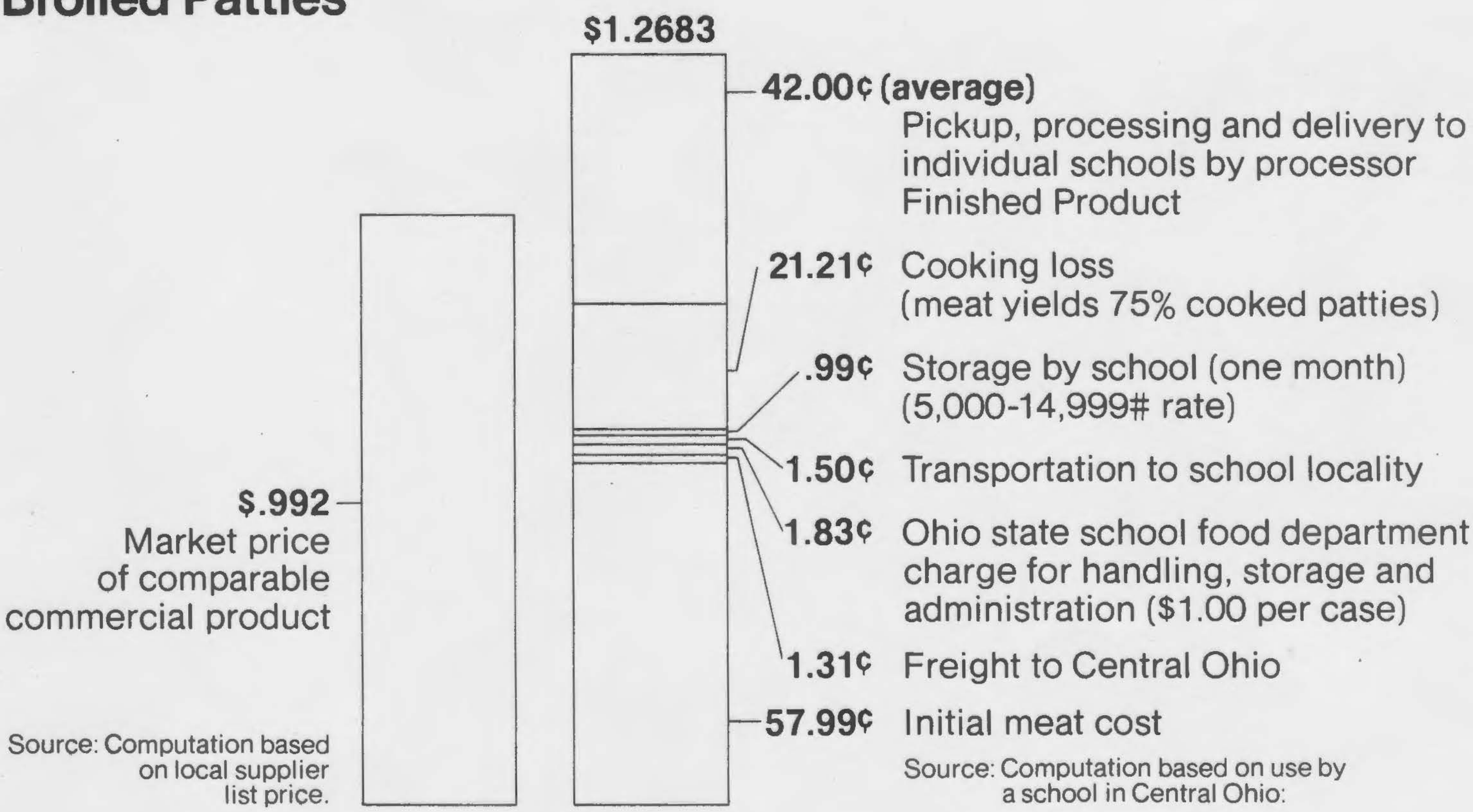
Total purchases under the regular commodity beef purchasing program from July 3, 1974 to February 5, 1975 were 134,134,000 pounds. The costs become staggering when we note that with every cent saved $1,341,340.00 could be saved. If our ground beef patty situation in southeast Michigan were the exact rule of thumb nationwide then from July 3, 1974 to February 5, 1975, $24,398,974.00 would have been saved had beef purchasing taken place on a local level rather than through national commodity purchasing.

On the next chart, Mr. Chairman, we see the other two categories of ground beef purchased under the commodity program, bulk ground beef and broiled patties. Again the increased costs are apparent.

Bulk Ground Beef



Broiled Patties



Hidden Costs

Calculations do not include:

1. Cost of operating federal commodity meat buying program.
2. Waste and additional labor in using bulk commodities in the schools.
3. Voluminous recordkeeping and reports required by government in accounting for commodities.

The economies of commodity beef purchasing warrant change in the program. But more than economy demands some change in this program, Mr. Chairman.

In the school cafeterias across the country, precooked patties and raw patties are generally used for hamburger sandwiches. It is difficult and in many school districts impossible for school dietitians and food service managers to handle the ground beef unless given to a processor for rework. This usually means thawing and refreezing the meat.

Earlier I said my remarks are limited to commodity purchases of meat only. Other commodity purchases do not overwhelm the school dietitian or food service manager the way meat purchases do. Other commodities, peanut butter for example, come in manageable forms -- all one needs is a trusty can opener in most instances. Sophisticated and expensive storage equipment is not necessary. Outside processing is not necessary. Meat is the commodity that presents complications. Other commodities like canned fruit do not. These other commodities present neither the complications nor the added costs.

Ground beef in whatever frozen form it comes to the school must have special storage facilities and special thawing facilities. Ground beef should be thawed in a cooler and this type of space is in very short supply. What is taking place every day in schools all over the land is thawing of ground beef at room temperature.

Children have another problem with what is on their plates. Commodity purchasing forces school dietitians to serve the same items too often over too long a period of time which creates student dissatisfaction over school lunches. In other words, even with a well-done hamburger the child can get a raw deal.

Commodity purchasing is further frustrating for the school food service manager because the timing and quantities of donated beef shipments are uncertain, so the schools have planning difficulty. Often the amount of meat received exceeds the school's needs and some leftovers are wasted. In addition although federal and state offices complete their allocation of product prior to the end of the school year, considerable amounts of ground beef are not utilized prior to school closing and must be held until fall. Besides excessive storage cost, the quality deteriorates.

Other folks at the local level also are frustrated by the commodity beef program. The small businessman has practically been eliminated from participating in this program. His frustrations are twofold -- (1) he is still called on by the local school cafeteria supervisor to supply fill in items the school may occasionally need. Often the items are ordered in such minimal quantities the local purveyor loses money in supplying them. He does so anyway because he has to face the supervisor on the street, in church, or at the next Kiwanis meeting, and because at a future time the supervisor may call with a profitable order, and the purveyor, already badly hurt by the commodity purchase program cannot afford to lose further business.

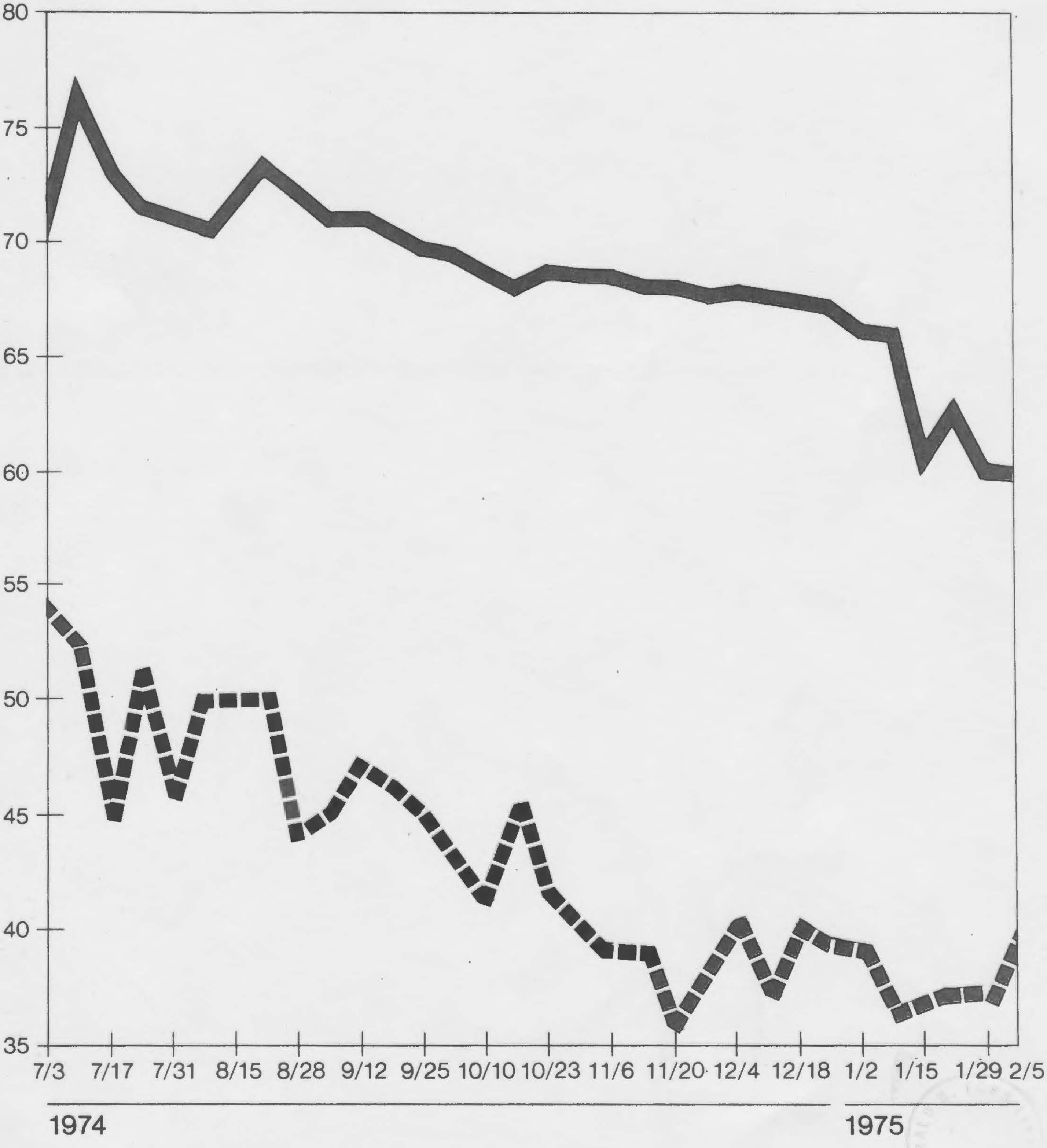
The small businessman purveyor also is frustrated with the cycle that places him in an economic vise. In the best of free enterprise traditions he works and competes to make money, and pays his share of taxes. Yet part of those taxes goes to a commodity beef-purchasing program which costs far more than is necessary to accomplish the job, deprives him of business, and awards it to a few large companies.

Many small processors have been hurt tremendously by the loss of business and many jobs have been eliminated. It is difficult enough in these times to be competitive in the market place but to compete against free is impossible. These small business people have a stake in their local school systems and can do a cheaper and more efficient job of supplying perishable meat items to schools in their trade area than that resulting from the commodity program.

The commodity beef purchasing program started 40 years ago. In those days it was a workable way to support a distressed cattle market. The substantial commodity beef purchases made this year had very little effect on today's gigantic cattle market. Let's look at what has happened to the program intended to support a sagging beef market. The next chart shows a chronology of beef prices as the USDA was awarding contracts for frozen ground beef.

Government Purchases:
Weighted average price of contracts for frozen ground beef awarded by USDA on that date.

Market Prices:
The National Provisioner Yellow Sheet reported price of transactions in carload lots of Northern bone-in Utility grade carcasses.



The full line figure on the graph shows the decline in contract price in cents per pound of frozen ground beef. Despite government purchasing you will see by the dotted line on the graph that during this period of July, 1974 thru February, 1975, government commodity beef purchasing was not successful in turning around the declining meat prices. We should have never expected that it would, for these purchases did nothing for demand, they only altered the sources of supply. Thus, Mr. Chairman, the commodity beef purchasing program not only has been a blow to the small businessmen in the meat business but has not produced a concurrent brighter picture for the meat market overall.

Beyond the problems I have just mentioned I think it only fair to ask why the school districts are not complaining about the beef that the government is giving them. The answer lies in a simple adage -- "don't bite the hand that feeds you". The people who bear the burden of preparing meals for our children are appreciative of government assistance and certainly do not want any criticism of the commodity beef program to result in any federal curtailment of the assistance available to them. I think we can all easily understand that position. We are certain that if assured of equivalent funds they will certainly take the funds.

NAMP comes here today not with gripes alone, but with some suggestions. We recommend as an alternative to commodity purchasing of beef some vehicle of direct money grants or meat vouchers -- some vehicle which would put the purchasing power and responsibilities <u>directly</u> in the hands of the local school districts.

What would be gained by such alternatives? I already have mentioned that for every penny shaved from the costs after the initial purchase price, almost one and a half million dollars would be saved. With direct money grants or some coupon system costs begin to decline immediately. It certainly is much easier and cheaper to transport food vouchers than carloads of frozen meat.

Delivery costs to the states and delivery and storage costs upon arrival would be eliminated. Administrative costs presently incurred from the time the beef arrives in the state to the moment it is served in the local school cafeteria would be reduced substantially.

It is clear from the bar charts we reviewed earlier that millions can be saved every year were school districts allowed to purchase beef at the local level. Without federal assistance this would be impossible, so school districts have put up with the frustrations the commodity program has produced.

Beyond the money saved there would be other advantages. Since one or more thawing and refreezing stages could be eliminated, buying from the local market would give the dietitian a fresher, more nutritional and more flavorful product and the children a more tasty meal. Long term storing of beef would be unnecessary, and the dietitian could plan a variety of meals unrestricted by the single form of ground beef available through commodity purchasing. Waste would be eliminated if purchases occurred at the local level as the shcools would only buy what was required when it was required. Delivery of orders could take place daily if desirable, eliminating the need for costly storage and thawing facilities at the local schools and improving sanitation of the product.

With the local school making its own purchases the small business-man would have an opportunity with other local competition to provide meat. Obviously that would help us with more business, Mr. Chairman. We do not think that is unreasonable. As already mentioned, we work daily with the local school districts now. We believe we can give them a quality product with better service, and at a cheaper price. We have every good incentive to do so -- the competition at the local level is lively, the desire to live in a better community is apparent, and the responsibility of feeding our own children is a heavy one.

Mr. Chairman, Gentlemen. In behalf of the National Association of Meat Purveyors I have suggested the commodity purchase program as it pertains to meat be changed to effect many economies and improvements of quality and service.

Our statistical information and technological knowledge are at the disposal of you and the staff of your Subcommittee as am I and my colleagues with me. If we can be helpful in drafting legislative language to implement our proposals, that will be a continuation of the pleasure you have given us by your attention and interest. Thank you.

To Ross

File

THE WHITE HOUSE

WASHINGTON

May 14, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON

FROM: JERRY H. JONES

The following notation was returned in the President's outbox to you:

> -- I am told that in the summer feeding program for blacks and Puerto Ricans the U.S. govt. is initiating contracts for "kosher food" which I understand is more expensive than regular good food.
>
> Why?
>
> Contract in magnitude of $1 million.

91¢ a lunch.

approving sponsors.

~~Sponsors.~~

Religious Organiz

New Mexico

Please follow-up with the appropriate action.

Thank you.

reimbursable
not budget impact
(sponsors budget.)

cc: Don Rumsfeld

INFORMATION

THE WHITE HOUSE

WASHINGTON

May 28, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: Your Request for Information on the Summer Feeding Program

I have checked on your inquiry about the summer feeding program. So far as we have been able to determine, the Federal Government has not initiated any contracts for "Kosher food" to be used in the program for Blacks and Puerto Ricans.

It is my understanding that food for the summer program is not purchased by the Federal Government. The Department of Agriculture approves a "sponsor" for the programs who does the purchasing and who is required to meet USDA's nutritional level for each lunch served. USDA reimburses the sponsor on a per lunch basis at a rate of 81¼ cents.

If the Hasidic Corporation in New York, for example, who is a sponsor were purchasing "Kosher food" to be used in the Summer Feeding program, there would be no budget impact in that the Government would reimburse only up to 81¼ cents. However if "Kosher food" were purchased and the total lunch does not meet the USDA nutritional level, the Government would not reimburse for the lunch.

May 16, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR JIM CAVANAUGH

FROM: NORM ROSS

SUBJECT: Summer Feeding Program

The U.S. Government is not nor will initiate contracts for "Kosher food" to be used in the summer feeding program for Blacks and Puerto Ricans.

Summer feeding programs are not run by the U.S. Government. Food for the programs is therefore not purchased by the Federal Government. By law, the Department of Agriculture approves a "sponsor" for the programs which could be for example, a civic organization. The "sponsor" is required to meet USDA's nutritional level for each lunch served. USDA reimburses the sponsor on a per lunch basis at a rate of 81¼ cents.

If a sponsor, for example, in the midwest is purchasing tacos there is no budget impact in that the Government will reimburse only up to 81¼ cents. However, if tacos are purchased and the total lunch does not meet the USDA nutritional level, the Government will not reimburse for the lunch.

The selection of sponsors is on a competitive basis and the performance of the sponsors is continually reviewed by USDA. If there is ample evidence to indicate that a sponsor is not performing adequately, a change can be made quite readily.

NEROSS/ee

K.L.

THE WHITE HOUSE

WASHINGTON

May 16, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR : NORM ROSS

FROM : JIM CAVANAUGH

I am told that in the summer feeding program for blacks and Puerto Ricans the U.S. government is initiating contracts for "kosher food" which I understand is more expensive than regular good food.

Why?

Let me have a report as soon as possible.

Thank you.

5-16