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Food and agricultural issues facing the Congress and the Nation are identified, and each of these issues are tied into a series of "food system goals" which could represent a principal element of a national food policy. Important issues related to the goal of assuring safe, nutritious food for all segments of the population are: evaluating the effectiveness of Federal efforts to establish and promote nutritional standards; evaluating the effectiveness of grain inspection and commodity grading programs; and evaluating the effectiveness of federally-assisted domestic feeding programs for school children and the poor. Issues important to the goal of assuring that the economic strength of the food system is maintained include assessments of the effects of Government programs on the future cost and availability of resources to sustain high levels of food production; and the costs and benefits of Federal and State regulations that affect the efficiency of food marketing. The following issues are important to the goal of fulfilling the Nation's commitment to help meet world food demand through humanitarian measures and commercial export: evaluation of Federal programs designed to reduce malnutrition in developing countries, and evaluation of the effectiveness of Federal efforts to maintain strong agricultural export sales. Issues related to developing and coordinating national and international food policies are: analysis of the Federal food policy decisionmaking structure, and evaluation of options for implementing a system of domestic food reserves. (RRS)

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**STUDY BY THE STAFF OF THE
UNITED STATES
GENERAL ACCOUNTING OFFICE**



**FOOD AND AGRICULTURE
ISSUES FOR PLANNING**

CEd-77-61

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FOREWORD

The events of the past several years have brought to the forefront the importance of food and agriculture issues to public policy decisions. Sharp increases in food prices, unprecedented foreign demand for U.S. agricultural products, continuing world hunger, the food stamp debate, the safety of food additives, and the integrity of our food inspection system represent some of the more important issues facing the Nation. As Congress begins debating a new farm bill, these issues take on increasing importance. GAO, in past reports to the Congress, has addressed all of these issues.

As part of our continuing reassessment of critical national issues, and as an aid to the focusing of our own objectives, we have tried to identify food and agricultural areas that are most in need of attention. This study identifies and describes what we believe are the critical food and agricultural issues facing the Congress and the Nation. Each of these issues are tied into a series of "food system goals" which could represent the main elements of a national food policy. The issues and goals represent the perspective GAO uses to organize its own activities. In its original form, this study was prepared as an internal guide to aid our work efforts in food and agriculture issues and programs.

It is hoped that others will find these issue discussions helpful in their own activities and that a better understanding for the crucial issues facing food and agriculture policy decision makers will result.

This document was developed by the Food Analysis and Coordination Staff with the cooperation of other offices. Questions regarding the content of this plan should be directed to William E. Gahr, Assistant Director, 275-5525.

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PART I

INTRODUCTION

FOOD PROGRAM PLAN

To strengthen its ability to make recommendations to Congress on Federal programs and policies, the General Accounting Office (GAO) has prepared work plans centering on 29 different areas. As the world's population grows and demand for food increases, government food programs and policies become one of the most important of these areas.

This document outlines the major issues and the major goals of a national food policy in this country. In all, a total of 16 issues are discussed.

FOOD ISSUES

Although its elements are yet to be determined, it is clear that a national food policy will be based on several underlying goals. Food issues are related to four of these goals:

- assuring safe, nutritious food for all segments of the population,
- assuring that the economic strength of the food system is maintained,
- fulfilling the Nation's commitment to help meet world food demand through humanitarian measures and commercial export, and
- developing and coordinating national and international food policies

Assuring Safe, Nutritious Food for All Segments of the Population

Assuring the safety and quality of food has long been a responsibility of the Federal government. Programs with these responsibilities include the Department of Agriculture's food inspection and grading activities; the Food and

Drug Administration's food safety inspection and regulation; and nutrition education, monitoring, research and standards setting, conducted primarily by the USDA and the Department of Health, Education, and Welfare.

The Federal government has also assumed a major role in providing adequate quantities of food to certain segments of the population. Domestic feeding programs, such as the food stamp program and the school lunch and milk programs, also directly affect the ability of program beneficiaries to receive an adequate diet.

In this area, important issues are aimed at:

- evaluating the effectiveness of Federal efforts to establish and promote nutritional standards,
- evaluating the effectiveness of grain inspection and commodity grading programs, and
- evaluating the effectiveness of Federally-assisted domestic feeding programs for school children and the poor

Other issues include determining the effectiveness of Federal efforts to improve the nutritional awareness of consumers, and the effectiveness of Federally-assisted domestic feeding programs for the aged.

Assuring that the Economic Strength of the Food System is Maintained

In the face of finite resources, Federal research, development and regulatory activities should be aimed at increasing agricultural productivity, stabilizing prices, and improving the efficiency of food production and distribution.

Major programs directed toward these objectives include farm price supports, agricultural research, and research and regulations affecting food marketing and distribution. Federal actions related to essential production inputs, such as water, land, energy and capital, also impinge on the economic stability of the food sector.

Issues judged important therefore include assessments of:

-- the effects of government programs on the future cost and availability of resources necessary to sustain high levels of food production, and

-- the costs and benefits of Federal and state regulations that affect the efficiency of food marketing

Other issues include assessments of the impact of Federal farm income support programs in food production, identification and analysis of the impact of changes in farm ownership and structure, and evaluation of the effectiveness of government and private research efforts to increase food production.

Fulfilling the Nation's Commitment to Help Meet World Food Demand Through Humanitarian Measures and Commercial Export

As the world's leading food producer and exporter, the U.S. has a vital part in meeting international food needs. The Nation's humanitarian values have also led to a strong concern for feeding the growing numbers of the world's hungry and poor.

At the same time, the U.S. economy has come to depend on a large food export market, with agricultural trade accounting for positive balance of payments in four out of the last five years.

Issues of importance include:

-- evaluation of Federal programs designed to reduce malnutrition in developing countries, and

-- evaluation of the effectiveness of Federal efforts to maintain strong agricultural commercial export sales

Other issues include an evaluation of the effect of U.S. food import policies on U.S. food supply needs.

Developing and Coordinating National and International Food Policies

In the absence of food policies which enunciate specific objectives and actions for achieving those objectives, U.S. food programs may be costly, ineffective, and sometimes counterproductive.

In part, this policy void can be attributed to the structure of decisionmaking responsibility within the Federal government. With over 26 agencies and 30 Congressional committees sharing some responsibility for setting food policy, overlaps and gaps may be a serious impediment.

Because the responsiveness of the Federal government to meeting food program goals rests on its structural ability to set those goals, we have assigned priority to an analysis of the Federal food policy decisionmaking structure.

Other topics include evaluation of options for implementing a system of domestic food reserves, and an assessment of the adequacy of Federal agricultural data collection and analysis programs.

CONGRESSIONAL ACTIVITY

Farm legislation in the 1960's was designed to inhibit surplus production and provide price support for specific commodities. In the 1970's, agricultural policy turned to expansion of both domestic and foreign markets, and to decreasing government intervention while protecting farm income.

Current government food policy is at a crossroads. The general farm legislation in effect during the recent period of expanded exports and spiraling food prices is due to expire in 1977. Congress has already begun consideration on the 1977 Farm Act.

Attention to this year's Congressional deliberations may also be greater than ever, as new and diverse interest groups are added to traditional agricultural interests. The Consumer Federation of America, for example, views the Farm Act debate as one of the most important Congressional activities in 1977.

Farm bill issues are likely to include:

- Target prices: Should price supports be raised to cover production costs? Should they be extended to commodities other than wheat, feed grains and cotton?
- Food reserves: Should the United States have a food reserve? If so, how large should it be? Should it

be controlled and maintained by the government or farmers? How would reserves be released into the marketplace?

--Special commodity programs: Should they be revised? If so, should they conform to provisions of other commodity programs?

--Disaster insurance for farmers: Should there be crop insurance, emergency loans, or direct payments for low yields?

Food Stamp program reform narrowly escaped enactment in 1976 and will again be the subject of legislation in 1977. Reforms will likely center on reducing program costs and more careful targeting of program funds to the needy.

Grain inspection reform emerged from the 94th Congress late this year. Continued attention will be placed on the development of an improved inspection program during 1977-1978.

Food aid will be a major issue, with concerns centered on levels of funding, and humanitarian versus political criteria for assistance. International development assistance programs for fiscal years 1978-79 must be authorized by Congress in early 1977. The Food for Peace program, P.L. 480, expires in 1977.

In short, the new farm bill could include a variety of measures, broader in purview than previous legislation which narrowly focused on farm interests. At the very least, debate will serve to point out the growing trend to view food policy as encompassing considerations of the entire food system-- from agricultural production inputs through consumer needs.

PART II

FOOD POLICY GOALS AND RELATED ISSUES

GOAL 1: ASSURING SAFE, NUTRITIOUS FOOD FOR ALL SEGMENTS OF THE POPULATION

The growing complexity of food marketing and food composition, and an increasing body of knowledge about food safety, have paved the way for government involvement in quality assurance since the late 1880's. Consumers now rely on the Federal government to enforce quality control regulations that include:

- o safety
- o food grading
- o nutritional content (information for some products)
- o labeling
- o advertising

Nutrition clearly affects the individual's ability to realize full capacity. Loss of this capacity also affects society through loss of productivity and, in some cases, through costs of maintaining an individual's welfare. According to a 1972 estimate, nutrition-related diseases cost the United States over \$30 billion. As an issue clearly affecting the public interest, the government attempts to provide adequate nutrition through a variety of health and education programs and feeding programs for targeted groups.

BACKGROUND

Federal programs for assuring an adequate and high-quality food supply are largely centered in two agencies: the U.S. Department of Agriculture (USDA) and the Department of Health, Education, and Welfare (HEW). USDA is primarily responsible for feeding programs, meat and poultry

inspection, and commodity grading, while HEW oversees non-meat inspection, nutrition research and development, food labeling, safety regulations, health delivery systems, and nutrition surveillance.

Food Safety

Assuring food safety is the responsibility of both the Food and Drug Administration (FDA) of HEW and USDA. FDA activities include:

- o Food sanitation control
- o Assuring the safety of ingredients added to food
- o Enforcing regulations that prohibit chemical contaminants from entering the food supply
- o Enforcing regulations to control the spread of communicable diseases through interstate transportation
- o Identification and control of mycrotoxins and other natural poisons in foods
- o Promoting consumer education through product labeling of nutrient composition and biological availability of nutrients in food
- o Assuring the safety and quality of shellfish
- o Assuring fair packaging and labeling and preventing adulterated and misbranded foods from reaching the public

USDA food safety activities are in part conducted by the Animal and Plant Health Inspection Service (APHIS). APHIS is responsible for:

- o Inspection of animals and poultry (optional for poultry) before and during slaughter
- o Inspection of meat and poultry processing to ensure that the products are wholesome, produced under sanitary conditions, and are not adulterated or mislabeled
- o Inspection of meat and poultry for harmful pesticides and other chemical and biological residues

- o On-site reviews of foreign inspection systems and plants exporting meat and poultry products to the U.S.
- o Certification of U.S. meat and poultry products for export
- o Supervision of the destruction for food purposes of condemned meat and poultry products
- o Regulation of related industries, including animal food manufacturers, brokers, shippers and wholesalers to prevent uninspected or adulterated meat or poultry products from entering human food channels
- o Providing support services in the fields of chemistry, microbiology, pathology, parasitology, toxicology, and epidemiology
- o Approval of plant and animal facilities and equipment

APHIS is also responsible for controlling and eradicating plant disease and pests.

Commodity Grading

USDA's Agricultural Marketing Service (AMS) is responsible for quality grading of numerous products including cotton, dairy products, fruits and vegetables, grains, and meat and poultry products. Originally established to provide wholesalers with an indication of size or quality of farm products, quality grading has also become a consumer tool although the various types and reasons for marketing may in fact confuse the consumer.

Nutrition Surveillance

Except for some work conducted in a few states, partially sponsored by the Center for Disease Control, little has been done to implement a nutritional surveillance system. Nutritional status was reported through the Ten State Nutrition Survey (TSNS) completed in 1970. The National Health and Nutrition Examination Survey (HANES I) will issue a final report late this year; HANES II is just now getting underway.

The TSNS, however, has been criticized as unrepresentative of the population. Furthermore, the extensive amount of time involved in the data collection and preparation

of HANES I and II may result in an inaccurate picture of the current nutritional status of the population. HANES I has also been criticized for not adequately pinpointing health problems of particular ethnic and socio-economic groups.

USDA periodically conducts a Nationwide Food Consumption Survey (NFCS) to determine the kind, amount, and money value of food used by households and individuals. These surveys can be used to provide useful indications of nutrient levels of consumers and to evaluate food assistance programs. However, the current survey has been criticized because of poor low-income coverage and validation weaknesses.

Nutrition R&D

About \$70 million is currently spent each year on nutrition R&D, most of it through the National Institutes of Health. The FDA, the Agricultural Research Service, and the Department of Defense also have small R&D programs. It is not entirely certain however that research is being directed at the most important nutritional problems or that sufficient attention is given to coordination of individual programs.

Establishment of Dietary Standards

The American diet is essentially influenced by two sets of standards:

--the required daily allowance (RDA), established by the National Academy of Sciences/National Research Council

--various safety standards imposed by the Animal and Plant Health Inspection Service

The RDA's are currently the best estimates of nutrients needed by the human body to survive and flourish. Virtually every dietary plan is based to some extent on RDA's. Unfortunately, these estimates are not perfect and do not include many nutrients, particularly trace minerals, that are known to be needed by man. Further, little is known about the effects of either marginal underuse or large overuse of most nutrients.

Dissemination of Nutrition Information

A high standard of living allows most Americans to purchase varied and ample quantities of food and so receive sufficient nutrients. But while few suffer from serious vitamin

and protein shortages, obesity and heart disease and other diet-related disorders are prevalent.

In part, this can be attributed to a lack of training and emphasis on preventive health care. Although nutrition research has uncovered new information about the relationship of nutrition to health, little of this is transmitted to consumers. Physicians themselves receive little nutrition education: some medical schools do not even offer nutrition courses, and most do not require them as a prerequisite for graduation.

Instead, nutrition education for most Americans is based upon family meal patterns, limited school courses, food labeling and food advertising. With the possible exception of food labeling (which provides information rather than education), there are no formal Federal programs that promote nutrition education to any great extent. While many of the nutrition programs have some dissemination functions, these are typically quite limited.

Target Feeding Programs

There are many Federal programs that directly feed certain target groups or assist in enabling others to do so.

USDA:

- The Food Stamp program assists needy families, serving over 18 million persons at any one time. Program costs were \$5.6 billion in FY 1976.
- The Special Supplemental Food Program for Women, Infants, and Children, assists qualified mothers and children to obtain specific nutritious foods. FY 1976 program costs were an estimated \$198 million.
- The National School Lunch Program provides free and reduced priced lunches to over 10 million children in FY 1976 at an estimated cost of \$1.5 billion.
- The School Breakfast Program serves almost 200 million free and reduced price breakfasts, at a cost of about \$96 million.

- The Special Milk Program provides free milk to eligible children in participating schools, child care centers, and summer camps. An estimated \$129 million was spent in FY 1976.
- The Food Donation/Commodity Distribution programs provides food to schools under the National School Lunch Act and the Child Nutrition Act.
- The Summer Feeding Program provides meals or snacks to eligible, participating children during the summer months. Program costs nearly reached \$100 million in FY 1976.
- The Child Care Food Programs provide free meals and snacks to eligible children in participating institutions. These programs also cost close to \$100 million in FY 1976.
- Nonfood support, such as kitchen equipment for schools participating in the School Lunch Program, cost about \$47 million.
- Nonfood assistance for the elderly feeding programs cost about \$11 million.

HEW:

- Nutrition programs for the elderly provide low-cost nutritious meals to those over 60 who cannot afford to eat adequately, lack meal preparation skills, have limited mobility, or are lonely.
- Headstart is designed to give disadvantaged children an opportunity to develop skills before entering school. The program also provides meals to participating children.

Community Service Administration:

- Community food and nutrition programs are designed to make Federal, state and local feeding and nutrition programs more accessible to the needy. These programs were estimated to cost \$26.2 million in FY 1976.

Issue: Evaluating the Effectiveness of Federal Efforts to Establish and Promote Nutritional Standards

The establishment of nutritional standards must be preceded by at least two sets of activities. Research and development is first necessary to determine the nutrient requirements of the human body and the nutritional contribution of various foods in meeting these needs. Present nutrient standards are based on rudimentary information and work is continuing to refine them.

A second need, but one which has received less attention, is for nutrition surveillance. Surveillance is important because it allows us a measure or baseline to determine dietary deficiencies and can provide basic information for determining food assistance program effectiveness.

Past GAO Reviews

None

Ongoing GAO Reviews

Survey of Federal Nutrition Policy and Programs

Review of Priorities and Coordination of Human Nutrition Research by Federal Agencies

Issue: Evaluating the Effectiveness of Grain Inspection and Commodity Grading Programs

Grain inspection is the subject of much public controversy. Considerable resources will be devoted to a currently planned review on grain inspection at interior locations, a review which stems directly from the new grain inspection law.

Changing consumer needs dictate that we use a grading scheme that will provide information that both marketers and consumers can use in making rational purchasing decisions. Quality standards must meet current demands for information on nutritional value, product stability, convenience, and safety that go beyond the traditional standards based on appearance, texture, uniformity, and marbeling.

The standards used must ultimately reflect perceptible differences between grades, and the terms used should imply a consistent standard of excellence across product lines. This current lack of standardization and consistency between grade terms for products makes the current USDA grading system incomprehensible in its contradictions.

Past GAO Reviews

Assessment of the National Grain Inspection System
(RED-76-71)

Supplemental Information on Assessment of the National
Grain Inspection System (CED-76-132)

Ongoing GAO Reviews

Survey of USDA's Inspection and Grading of Export
Commodities

Issue: Evaluating the Effectiveness of Federally- Assisted Domestic Feeding Programs for School Children and the Poor

A number of Federal programs provide benefits to target groups in the form of cash payments, which have a food component "built" into the determination of benefits. However, many observers feel that problems arise from the way these programs are structured and benefits derived.

- With programs assembled in a piecemeal fashion, some potential target groups could be missed while others could receive overlapping benefits. Thus some recipients can receive food far in excess of their daily requirements.
- Similarly, the large number of programs may hamper the efficiency of delivery. To address this problem, the Administration recently attempted to integrate child feeding programs into a system of block grants to the states. Congressional sponsorship was difficult to obtain, however, and the measure soon died.
- Program benefits, especially for the Food Stamp program, are regularly criticized for being overly generous. In turn, critics are accused of trying to place overly restrictive limits on the program which would reduce their effectiveness as feeding programs.

- The makeup of program beneficiaries is also regularly challenged, again primarily in the Food Stamp program. Some have questioned whether the programs are too broad in coverage, allowing inclusion of middle-income persons who were not intended to be covered by the programs.
- Charges of excessive fraud, program abuse, and sloppy management are often leveled at the Food Stamp program.
- The most important question, and one surprisingly not asked very often, is whether programs are really meeting their objectives. Is the nutritional status of recipient groups improving? Unfortunately there is a decided lack of information to provide a measure of program effectiveness.

Past GAO Reviews

- Observations on Evaluation of the Special Supplemental Food Program Food and Nutrition Service (RED-75-310, 12/18/74)
- Appraisal of the Special Summer Food Service Program for Children (RED-75-336, 2/14/75)
- Observations on the Food Stamp Program (RED-75-342, 2/28/75)
- GAO Food Stamp Seminar: A Transcript of the Proceedings (OSP-76-12, 1/28/76)
- Identification of Food Stamp Issues (OSP-76-10, 1/28/76)
- Processing Applications for Food Stamps: How Long Does It Take? (RED-76-74, 2/27/76)
- Student Participation in the Food Stamp Program at Six Selected Universities (RED-76-105, 2/29/76)
- Reasons for Differences in Five Aspects of the Food Stamp, Aid to Families With Dependent Children, and Supplemental Income Security Programs (MWD-76-131, 5/11/76)
- Operation of the Emergency Food and Medical Services Program (HRD-76-112, 9/1/76)

Ongoing GAO Reviews

Review of USDA Commodity Delivery Service to School Lunch Program

Review of the Recovery of the Food Stamp Program Over Issuances

Review of Controls Over Food Stamp Vendor Receipts and Deposits

Survey of the Relationship of the Food Stamp Program to Other Federal Programs Providing Food Assistance

Review of the Effectiveness of the Food Stamp Work Registration Requirement

Survey of the Allegations Regarding Food Stamp Program Mismanagement in Louisiana

Synthesis of Evaluation of School Feeding and Child Nutrition Programs

Review of the Food Stamp and Commodity Distribution Programs in Puerto Rico

Review of the Summer Food Service for Children

Review of Delays in Issuance of Food Stamp Purchase Cards in Chicago, ILL.

Review of Nutritional Aspects of the School Lunch Program in New York City

Issue: Evaluating the Effectiveness of Federal Efforts to Improve the Nutritional Awareness of Consumers

The government engages in a variety of efforts to improve nutritional awareness among food consumers.

Under the authority of the Fair Packaging and Labeling Act of 1966 and the misbranding provisions of the Food, Drug and Cosmetic Act of 1938, the FDA started a program in 1973 to require detailed nutritional information on the labels of certain foods making nutritional claims. The program is voluntary for most other foods.

In January 1975, GAO issued Food Labeling: Goals, Shortcomings and Proposed Changes (MWD-75-19). The report recommended needed improvements in ingredient disclosure and nutritional labeling, quality grading and related areas. GAO concluded that poor food choices among Americans can be attributed in part to a lack of nutritional information on food labels.

The Federal Trade Commission has now taken this one step further and argues that food advertising as a whole has tended to blunt public awareness of the health significance of food choices and to encourage patterns of consumption which are contributing to a decline in the nutritional status of major segments of the population.

In rulemaking procedures begun in November 1974, and still in the active hearings phase, FTC has concluded that food advertising is unfair under the FTC Act if it fails to disclose nutrition information relating to the advertised food. The FTC noted that failure to do so makes it difficult for a consumer to reach basic determinations concerning food purchase decisions, tends to inhibit appreciation of the importance of nutrition, and is financially and physically harmful to the consumer.

Past GAO Reviews

Food Labeling: Goals, Shortcomings, and Proposed Changes
(MWD-75-19, 1/29/76)

Ongoing GAO Reviews

Review of Availability and Dissemination of Information
on Nutrition

Issue: Evaluating The Effectiveness Of Federally Assisted
Domestic Feeding Programs For The Aged

The aged have special dietary problems which cannot always be met by simply providing food. Many are physically unable to prepare meals. The Meals on Wheels program administered by HEW, which allows the eligible elderly to receive prepared meals in a congregate setting, shares many of the problems of other domestic feeding programs.

Past Reviews

Survey of the Title VII Nutrition Program for the Elderly in St. Louis, Missouri (HRD-76-754, 9/14/76)

Ongoing Reviews

Survey of the Title VII Nutrition Program for the Elderly

GOAL 2: ASSURING THAT THE ECONOMIC STRENGTH OF THE FOOD SYSTEM IS MAINTAINED

Maintaining the economic vitality of food producers, processors, and marketers is recognized as crucial in providing consumers a continuous stream of safe, high-quality and relatively low-priced food products. Government programs and policies which disrupt any of these food system "links" threaten the proper functioning of the system and its ability to respond to the needs and desires of the consuming public. For example, farm policies can discourage production or innovation by not providing sufficient incentives to produce. Conflicting and overlapping Federal and state rules and regulations can impede productivity gains and increase costs of food marketing, or threaten the future supply of basic resources such as land, water for irrigation, energy, fertilizer and capital and credit.

BACKGROUND

The food system is an intricately woven pattern of many sectors of the economy, encompassing far more than farming. It includes (1) the so-called "input" industries which provide energy, machinery, chemicals, etc., (2) the farm sector itself, that is, the producers of crops, livestock, and dairy products;^{1/} (3) the food processing sector, which includes slaughter houses and meat packers, grain mills, dairies, canners and packagers and prepared food manufacturers; (4) warehousing, transportation and distribution; (5) retail food stores and restaurants; and finally (6) the individual consumer.

^{1/}One could also include the fishing industry here although it is not commonly referred to as such.

Farming is one of our Nation's biggest industries, employing about 4.5 million workers--the combined employment in the transportation, steel, and automobile industries. Other indicators of the size and importance of U.S. agriculture include

- gross farm sales, which total about \$100 billion, or about 7 percent of the GNP
- consumer expenditures for food, which total about \$170 billion--about 17 percent of disposable personal income
- the value of agricultural exports, which exceeds \$20 billion and comprises about 20 percent of total U.S. exports

Production Concerns

Throughout the history of this country, government programs have been an important factor in the success of the agricultural industry. In the 19th century, the government provided the farmer with subsidized access to markets through land grants to railroad builders. The land grant college system, created in 1862, was to encourage research in farming methods. The National Reclamation Act of 1902 subsidized the irrigation of semi-arid land in the West, and the Federal Farm Loan Act of 1916 allowed farmers to obtain capital at lower interest rates than those prevailing in the open market.

Most recently, government policy has been to compensate farmers for any income losses resulting from national overproduction. A system of price supports is presently provided in the 1973 Farm Bill, due to expire this year.

The coming farm bill debate, will therefore include discussion of the level of income support necessary and the form it should take. More specifically, the following issues are likely to emerge:

- the appropriate level of government price supports for individual commodities,
- whether government or private grain reserves should be required,

- whether the government's programs to assist farmers in the event of natural disasters should be changed,
- whether the food foreign assistance program should be extended beyond 1977 and, if so, in what form,
- changes to be made to the Food Stamp program.

With many conflicting objectives facing the 95th Congress as they debate the farm bill, it is clear that no food policy can meet all objectives equally. Some of the more apparent conflicts occur between farmers, who want high price supports to bolster farm income and consumers, who argue for lower supports to keep down retail prices. Farmers are also asking for high grain prices, while livestock producers want low grain prices. The goals and objectives of farmers, processors, marketers, consumers and taxpayers must all be considered and weighed when evaluating farm policy options.

Production Resources and Inputs

Also of concern is the future cost and availability of basic resources used for producing food: land, water, energy, labor, fertilizer and capital. The ready availability of these inputs at low cost has accounted for the high yields characteristic of U.S. agriculture.

Policies affecting each of these resources are often determined separately, without consideration of the food production requirements. Decisions affecting fossil fuel inputs are now especially critical because of finite supply, rapidly expanding cost and competition among non-farm users. Since increased food output will largely come from increased yields rather than from the cultivation of more land, the limited supply of chemical fertilizer and water also poses serious problems, with higher costs leading to diminishing returns and a potential leveling-off of output.

In 1975 there were approximately 2.8 million farms-- a one-third decrease from 1960. This trend to fewer farms is expected to continue, and by 1980 the number may reach 1.9 million and 1.1 million by the year 2000. Future farms are expected to become larger and require fewer workers as machinery and capital are substituted for labor. The average farm in 1970 was 2.6 times larger than in 1920. Since 1950 the average farm size has increased about 80 percent. This reflects a general trend of farmers enlarging their operations and small marginal farms being absorbed.

With growth in farm size, there has been concern that corporate farms are replacing family farms and are beginning to dominate U.S. agriculture. Some believe that corporations reduce competition in agricultural markets, are less concerned with conservation practices, and show a lack of interest in rural community affairs. Several states, including Kansas, North Dakota, and Minnesota, have passed laws limiting the growth of corporate farms.

For the new farmer, entry has become very difficult. Because of general inflation and surging land prices, the amount of capital needed to start a new farm is very high. In 1940 the capital required for an average farm was about \$6,000; in 1960 it was \$42,000. By 1969 this amount had doubled to about \$85,000. A 1973 USDA study shows capital needs for a technically optimum one-person farm to range from \$158,000 for a Louisiana soybean farm to \$610,000 for an Indiana corn farm.

Farmers rely more than ever on other suppliers for fertilizer, equipment, and animal feed, and have found the cost of farming growing steadily with inflation in these other sectors. The growing cost of producing has substantially increased the farmers' breakeven point and the risks associated with price fluctuations in farm products.

In addition to the impact of the rising cost of capital and other production inputs, farmers are faced with decreasing land and water availability. Advancing urbanization has moved 31 states, as of 1975, to pass laws aimed at preserving agricultural land. Water supply problems are predicted for irrigation projects in western Nebraska and the Texas high plains.

Food Marketing

In recent years, expert observers of food industry practice have concluded that many government marketing regulations are outmoded and overlapping, with rules set when processing and shipping methods were considerably different. Rules established to protect consumers have not been adequately integrated into the production and distribution system, and therefore do not adequately provide protection from higher costs or preserve flexible marketing options.

After three years of study, the National Commission on Productivity found that at least 2,000 Federal regulations, plus similar state and local regulations, apply to food. It

concluded that high priority should be given to reviewing these regulations to simplify and consolidate their content and administration.

While government food programs are instituted to protect the public interest, they entail costs that must ultimately be borne either directly by the taxpayer, or by the consumer in the form of higher food prices, or by the producer through reduced income.

For example, Federal programs affect the costs of food processing by requiring:

- o installation of equipment to reduce pollution in food manufacturing plants
- o modification or replacement of equipment to reduce noise levels in the workplace
- o conduct of tests to determine plant noise levels
- o testing and recordkeeping to assure food safety
- o minimum wage and overtime requirements
- o payroll taxes for Social Security and unemployment insurance
- o import quotas on food and new food items

Because the costs can often be high, especially for smaller companies, Federal regulations require careful scrutiny to eliminate any unjustified costs. Examples often cited include:

- o OSHA requirements to reduce noise levels in the workplace, will cost the food industry \$590 million to achieve a 90 decibel level, and \$2.6 billion to achieve an 85 decibel level. Is the impact of an additional 5 decibel reduction on worker health substantial enough to require almost four-fold additional expenditures?
- o USDA requirements that all labels on food products containing meat or poultry receive prior approval entails numerous filings with their accompanying expense, while FDA relies on voluntary compliance with

spot checks. Is the USDA procedure necessary? Is the FDA procedure effective?

- o Some OSHA requirements designed to protect workers conflict with USDA or FDA requirements designed to assure food safety. Resolution of these conflicts incur delays and additional costs.

It is also important to look at the effect of Federal regulations on overall industry structure. Smaller firms lack the output to reduce the unit cost of compliance and the access to capital necessary for equipment modification. In the long run, Federal programs may therefore contribute to concentration as smaller firms withdraw from the market.

Issue: Evaluating The Effects Of Government Programs On The Future Cost And Availability of Resources Necessary To Sustain High Levels Of Food Production

Underlying this line of effort is a single critical question: Will our farmers have enough resources, such as land, capital and credit, water for irrigation, fertilizer and energy, to sustain the high levels of output needed to maintain farmer income and meet growing domestic and foreign food demand? Federal and state programs and policies that affect both the supply and cost of these resources are crucial to the farmer. The availability of water, energy and land are of particular importance because of their competing non-farm user demands.

Past GAO Reviews

U.S. Fishing Industry Can Be Strengthened by Developing Underutilized Fish Resources (GGD-75-68, 5/30/75)

The Fertilizer Situation-Past, Present, and Future (RED-76-14, 9/5/75)

Action is Needed Now to Protect our Fishery Resources (GGD-76-34, 2/18/76)

Opportunities for More Effective Use of Animal Manure (RED-76-101, 6/14/75)

Better Federal Coordination Needed to Promote More Efficient Farm Irrigation (RED-76-116, 6/22/76)

The U.S. Fishing Industry--Present Condition and Future of Marine Fisheries (CED-76-130, 12/23/76)

Ongoing GAO Reviews

Review of Efforts to Curb Soil Erosion and Protect Productivity of U.S. Agricultural Lands

Survey of Federal Efforts to Promote Better Use of Existing Water Supplies by Improving Conveyance Systems Efficiencies, (Federal Water Resources Project)

Development of Issue Papers for Use in Senate Committee Oversight of USDA Land and Water Conservation Program

Issue: Assessing The Costs And Benefits Of Federal And State Regulations That Affect The Efficiency Of Food Marketing

Untangling the many overlapping and often conflicting Federal and state rules, regulations, policies and programs that affect the processing, marketing, and distribution of food products may well result in improved government efficiency and the reduction of consumer retail costs.

Past GAO Reviews

Administration of Marketing Orders for Fresh Fruits and Vegetables (Restricted)(RED-B-177170, 12/11/74)

Marketing Order Program--An Assessment of its Effects on Selected Commodities (ID-76-26, 4/23/76)

Ongoing GAO Reviews

Survey of Waste in the Food System

Review of Restrictive Practices Which Impede the Marketing of Meat

Study of Food Prices--Past and Present

Issue: Assessing the Impact to Federal Farm Income Support Programs on Food Production

Key issues include analyses of various options for supporting farm prices. For example, should target prices be extended to other commodities? Should they be set to cover production plus a "reasonable" profit? Are there other schemes that ought to be considered? These and other issues will be debated at length early next year when Congress initiates work on drafting a new farm bill.

Past GAO Reviews

Alleviating Agricultural Producers' Corp Losses: What Should the Federal Role Be? (RED-76-91, 5/4/76)

Ongoing GAO Reviews

Survey of Agricultural Commodity Programs

Issue: Identifying and Analyzing the Impact of Changes in Farm Ownership and Structure

Significant trends are occurring in the patterns of farm ownership which bear on the future of food production levels, competition, rural development and resource conservation.

Past GAO Reviews

Some Problems Impeding Economic Improvement of Small-Farm Operations: What The Department of Agriculture Could Do (RED-76-2, 8/15/76)

Appraisal Procedures and Solutions to Problems Involving the 160-acre Limitation Provision of Reclamation Law (CED-76-119, 6/3/76)

Ongoing GAO Reviews

Survey of Trends in the Farm Structure

Issue: Evaluating Effectiveness of Government and Private Research Efforts to Increase Food Production

The spectacular yields of major crops in recent years are evidence of the effect agricultural research has had on food production.

Past GAO Reviews

Agricultural Research -- Its Organization and Management
(RED-76-92, 4/8/76)

Ongoing GAO Reviews

Review of the Effectiveness of the Management of Research by the Agricultural Research Service, Department of Agriculture

GOAL: FULFILLING THE NATION'S COMMITMENT TO HELP MEET WORLD DEMAND THROUGH HUMANITARIAN MEASURES AND COMMERCIAL EXPORTS

With agricultural abundance and a humanitarian outlook, the United States is looked upon to play a major role in marshalling efforts to combat world hunger. Few nations in the world can grow enough food to meet their needs. Although many can purchase enough imported food to fulfill their demand, others, representing about 10 percent of the world's population, cannot afford sufficient imports and are in a chronic net food deficit position. As a consequence, much of the world has come to rely increasingly on the U.S. for expanded food aid and related development assistance and commercial exports.

U.S. agricultural exports have emerged as a major force in the domestic and international marketplace. Food exports have increased threefold since the early 1970's and now provide the farmer with 25 percent of his income and account for recent balance of trade surpluses. Abroad, the United States has emerged as the dominant world food trader.

Coinciding with this recent surge in food exports has been a 53 percent increase in food prices since 1971, and several dramatic market intervention actions by the Federal government, including imposition of export controls and negotiation of international commodity agreements. These actions have significantly influenced domestic supply and prices and our foreign economic objectives.

With the recent drawdown of food surpluses, the specter of potential massive weather-induced crop shortfalls, and continuing world dependency on the United States for food, government decisions on when, where, and how much food to export have become major U.S. policy considerations. Several critical questions emerge.

- Does the United States have an export policy that adequately protects the interests of the U.S. producer and consumer while satisfying international market demand and foreign policy objectives?
- Is the current policy sufficiently flexible to operate under both food surplus and shortage conditions?
- Are recently negotiated bilateral commodity agreements equitable and economically justified?
- What promise do the current round of multilateral trade negotiations and other international forums hold for strengthening future U.S. export markets?

BACKGROUND

During the 1960's U.S. agricultural surpluses presented government officials with a disposal problem. Farm land was diverted from production, and the government was accumulating large amounts of surplus grain as part of its farm income maintenance programs. While much of the world was hungry and in a food deficit position, U.S. exports were not significantly within economic reach and food exports were low.

The government accelerated its Food for Peace program (authorized by P.L. 480) during this period primarily as a tool for disposing of surplus grain and for developing needed export markets. Food exports during the 1960's

ranged between \$4.8 billion and \$6.8 billion annually with P.L. 480 shipments accounting for 17 percent to 27 percent of the total.

Beginning in the early 1970's the world marketplace underwent dramatic change, with the United States emerging as the major beneficiary of a new economic order.

- Two successive dollar devaluations in 1971 and 1973, a Japanese yen appreciation, other currency realignments and international moves to float exchange rates all increased demand for U.S. exports by making them more competitive in world markets.
- Global weather reverses in 1972-73, causing the first decline in world food output in decades, sent demand for U.S. food soaring.
- Centrally planned economies, principally the USSR, entered the free world marketplace following decisions to upgrade their diets (creating need for feedgrains) and to supplement low outputs. These countries now account for 25 percent of the purchases on the world wheat and feed grain market.
- The development of a market for basic U.S. grains expanded.

As a result of these conditions, U.S. food exports quickly surged from \$7.7 billion in 1971 to \$18 billion in 1974 and to \$22 billion in 1975, a 300 percent increase in just four years. One out of three harvested acres are for export markets and about half of all wheat and soybean production is now sold abroad.

Despite the well-publicized Russian grain purchases, Asia is the United States' largest customer (\$7.3 billion in fiscal year 1976), followed by Western Europe (\$7.0 billion), Latin America and Russia (\$2.0 billion each). About 40 percent of U.S. grain exports go to developed countries, 30 percent to less developed countries, and 30 percent to centrally planned economies.

Imports of food have also increased and now stand at nearly \$12 billion (1976), giving a total agriculture trade surplus of about \$12 billion in FY 76.

Aside from boosting farmer income, other significant benefits have accrued from the large export market:

--\$22 billion in food exports resulted in another \$22 billion of economic stimulation through supporting services (farm inputs, transportation, etc.). About 70 percent of this additional economic activity is in nonfarm industries and translates into 650,000 additional nonfarm jobs created.

--Agricultural trade is the only reason U.S. balance of payments has been positive four out of the last five years.

The United States now accounts for nearly 50 percent of all food in international trade and is one of only five major countries having a net export food balance. Clearly, the United States is the dominant power in the world food market and is now highly dependent upon a continued level of high export activity to support domestic prosperity in both farm and nonfarm sectors.

World Hunger

Hunger persists as a major world problem. Experts generally agree that about 400 to 500 million persons are malnourished. Either underfed or missing critical nutrients from their cereal-dominated diet, they are also likely to suffer from other diet-related health problems. They are often young, poor, and live in environments unable to produce or purchase sufficient food to feed the surrounding populace. Their numbers are growing faster than their well-fed counterparts in the developed world. At best, their future is discussed with cautious optimism; at worst, harsh weather could lead to massive famine.

A world hunger problem has existed for many years. Widespread public concern about the uncertainty of future world food supplies did not occur until a few years ago, however, when the important basic foods suddenly became scarce.

In 1972 and 1973, world food output failed to grow for the first time in decades. World food reserves were depleted, food aid levels were halved, and the less developed countries, faced with a three-fold increase in imported grain prices, saw their purchasing power fall dramatically.

The world's hungry people are concentrated in about 90 less developed countries. Virtually all of these countries produce less than what they need. Even with food

purchases from abroad, they consume an average of only 95 percent of their food energy needs; several are closer to 90 percent. Their situation is worsening as evidenced by the following conditions:

- o Their population is growing 2.5 percent yearly, which is faster than the 2 percent increase in food production. Population growth alone accounts for 70 percent of their additional food demand each year.
- o Their current annual food deficit is 15-18 million metric tons (MMT) and will reach at least 85 MMT by 1985 if present trends continue. Their gross food deficit increased from 12 MMT in 1951 to 46 MMT in 1974. In terms of cost, this represents a 7-fold increase in deficit.

The major cause of world hunger is maldistribution of food. Developed countries represent 30 percent of the population, yet consume over half of all food produced. On a global basis, enough food is produced to meet 104 percent of human food energy needs. But because of ecological, technological, economic and social factors, less developed countries consume only 95 percent of their requirements, while developed countries consume 123 percent of their needs. Farm sectors in less developed countries are not advanced, yields are very low, and distribution and storage systems are inadequate. Government policies to keep domestic food prices low to consumers discourage farmers from producing more. Population increases negate virtually any increase in food output.

The average person in a hungry nation consumes 300 pounds of grain annually, almost all of it directly. The average American consumes an equivalent of 1850 pounds of grain yearly -- 200 pounds directly (mostly bread and cereal) with the remainder fed to livestock. Countries with centrally planned economies, in an attempt to upgrade their diet, are intensifying their livestock grain feeding efforts. Russia and the U.S. now feed over 100 million metric tons of grain each to livestock annually, compared to just 30 MMT totally for all less developed countries. These trends create greater competition for grains -- the staple diet for less developed countries.

Despite this gloomy picture, many experts believe that malnutrition can be diminished over the next several decades for the following reasons:

- o Food production growth rates in less developed countries can double (to 3-4 percent yearly) since yield improvement opportunities are good and agricultural development policies could be altered to spurt innovation and internal production.
- o Developed country exports can also increase with continued technological advances.
- o International efforts in food aid, development assistance, food research and technology transfer are all important measures that can be accelerated.
- o An international food reserve can help combat a poor crop year. This has been a frequently discussed but yet to be implemented policy tool.

U.S. Action

Achieving these reversals is of paramount importance to the underdeveloped world, and to several U.S. policy efforts, including the Food for Peace program, other development assistance programs and supply management decisions affecting food production.

Several major pieces of legislation are up for Congressional consideration in 1977 that would affect the U.S. role in fighting hunger abroad:

- o P.L. 480 (Food for Peace) expires in 1977. Outlays for this program have averaged about \$1 billion annually for the last several years, but because of higher grain prices, actual volume of food shipped declined from 9.8 MMT in 1972 to 3.2 MMT in 1974. (Lower grain prices brought shipment volume back up to 6 MMT in 1975 and 1976).
- o U.S. basic international development assistance programs for FY 1978 and FY 1979 must be authorized in 1977. Funds committed for food production and nutrition totaled over \$500 million in 1976. The U.S. has also committed \$200 million to the International Fund for Agricultural Development, which was created at the 1974 World Food Conference.

Government trade agreements and export controls also have dramatic repercussions on the domestic economy.

Several recent actions have, in fact, raised serious questions about whether domestic interests are adequately protected:

- The government has intervened in the market to halt exports on three separate occasions since 1973: Once to impose controls on soybeans and related products (1973), once to impose an embargo on Soviet grain sales (1974), and again to hold up renegotiated existing Soviet grain sales (1975). Such actions were sudden, in response to many pressures, and irritated farmer and consumer groups alike.
- The government entered into a long-term grain agreement with Russia, requested voluntary export restraints with Poland and informally committed itself to a supply agreement with Japan.
- America's use of "food power" in obtaining general trade concessions in the current round of multilateral trade negotiations is often debated in government trade policy circles. Similar talk of using food as a political tool surrounds the debate on P.L. 480 issues.

In testimony before the Senate Agriculture Committee on June 24, 1976, GAO stated that "Current export policies--which are part of a broader agricultural supply management system--are less than complete, lack cohesion and fail to provide the flexibility necessary to meet both domestic and international objectives and changing food supply and demand conditions Who should get what, when and why are the critical questions such an (agricultural policy) framework should address."

The current multilateral trade negotiations (MTN) and negotiations taking place in other forums, such as the United Nations Council on Trade and Development, therefore need to be carefully watched to make sure that both domestic and international interests are maintained.

Nearly two-thirds of U.S. exports are subject to foreign market restrictions greater than the U.S. imposes on imports (45 percent of U.S. imports are duty free). The U.S. wants these barriers removed so that principles of comparative advantage and market prices can operate. Reaching agreement with the European Common Market (EEC) poses a particular problem, however, because of their

restrictive agriculture policies toward the United States and their sizable market potential. Other developed countries are also sensitive about their agricultural policies and are quick to protect their domestic interests against the United States and other food exporters.

Issue: Evaluating Federal Programs Designed To Reduce Malnutrition In Developing Nations

The effectiveness of U.S. efforts to combat hunger are crucial to the less developed countries.

Major issues include:

- o impact of food aid on recipient nations' self-help development (A recent GAO report (Disincentives to Agricultural Production in Developing Countries ID-76-2) discussed the disadvantages of providing cheap food to poor countries.)
- o impact of higher levels of food aid on domestic prices
- o the appropriate mix of humanitarian versus political aid to food recipients
- o the amount of development assistance aid
- o effectiveness of U.S. efforts in international organizations designed to help less developed countries improve their food situation

Past Reviews

Overseas Food Donation Program--Its Constraints and Problems (ID-75-16, 1/30/75)

Problems in Managing U.S. Food to Chad (ID-75-67, 6/5/75)

Disincentives to Agricultural Production in Developing Countries (ID-76-2, 11/26/75)

U.S. Assistance to Pakistan Should be Reassessed (ID-76-36, 2/6/76)

Examination of Funds Appropriated for Economic and Food Aid to Indochina (ID-76-54, 4/16/76)

Use of Private Shippers to Transport Commodities for the United Nations World Food Program -- to Representative Clarence D. Long (ID-76-40, 2/4/76)

Impact of U.S. Development and Food Aid in Selected Developing Countries (ID-76-53, 4/22/76)

Providing Economic Incentives to Farmers Increases Food Production in Developing Countries (ID-76-34, 5/13/76)

U.S. Participation in International Food Organizations: Problems and Issues (ID-76-66, 8/6/76)

Hungry Nations Need to Reduce Losses From Spillage, Spoilage, and Storage (ID-76-65, 9/1/76)

Ongoing GAO Reviews

Constraints to Increasing Use of Fertilizer on Food Crops in the Developing Countries

Purpose and Effectiveness of U.S. economic and Food Aid Programs to Egypt

Observations on Management of Disaster Relief Effort to Guatamala

Research Programs for Increasing Food Production in Developing Countries

Review of the Objectives, Policies and Accomplishments of PL 480, Title I, Concessional Sales Program

Issue: Evaluating the Effectiveness Of Federal Efforts to Maintain Strong Agricultural Commercial Export Sales

Major issues include:

- o the impact of alternative export policy options on consumer, producer, and foreign buyer interests: Does the government have a policy mechanism that will protect these interests under conditions of both tight food supplies and surplus?

- o the impact of long-term commodity supply agreements on domestic interests during a food shortage: Are the agreements flexible? Do they adversely affect other foreign buyers for whom no such "assured" supply agreement exists? Are they compatible with foreign relations objectives? Are there specific criteria for entering into these agreements or are they "crisis-oriented"?
- o Are U.S. export promotion activities adequate in view of the Nation's dependence upon foreign sales?
- o How should agricultural commodities be negotiated in the multilateral trade negotiations? Are policy proposals being advanced consistent with U.S. export policy behavior? Is the United States adequately exploring other international negotiation forums to gain free trade?
- o What is the impact of the Commodity Credit Corporation's credit policies on export sales?

Past GAO Reviews

The Government's Role in East-West Trade -- Problems and Issues (ID-76-13A, 2/4/76)

Agriculture's Implementation of GAO's Recommendations and Related Matters (ID-76-39, 3/3/76)

Ongoing GAO Reviews

Agency Compliance with Recommendations in Commodity Shortage Report

Review of U.S. Trade Policies Toward Developing Countries

Executive Branch Management of Russian Grain Sales, Agricultural Export Reporting, and Related Export Policy Issues

Issue: Evaluating the Effect of U.S. Food Import Policies on U.S. Food Supply Need

In general, the U.S. follows a "free trade" policy and places few restrictions on imported food products. Only sugar, dairy products and meat products have significant import restrictions. These restrictions are intended to

protect domestic health and economic interests. Recently, meat import quotas were imposed for the first time since the Meat Import Act was enacted in 1962, due to the depressed market conditions.

Past GAO Reviews

Review of U.S. Import Restrictions-Need to Define National Sugar Goals (ID-75-80, 10/10/75)

U.S. Import Restrictions: Alternatives to Present Dairy Programs (ID-76-44, 12/8/76)

Ongoing GAO Reviews

Meat Import Relief Options can be Expanded Under the Trade Act of 1974

GOAL 4: DEVELOPING AND CORR DINATING NATIONAL AND INTERNATIONAL FOOD POLICIES AND PROGRAMS

The United States is just completing its fourth consecutive year of relatively tight food supplies, compared with the pre-1972 period of agricultural surpluses. The past four years have also seen an increase in consumer concerns about food prices, food availability and nutrition.

In effect, the change from surplus food to uncertain food supplies has placed national focus on food policy instead of agricultural policy. This shift in emphasis is still ongoing and is recognized by the Congress and the Administration in new references to food and agriculture. However, the mix of Federal programs and operating policies still are products of the age of food surplus. The age of agricultural policy is behind us but the bureaucratic machinery has yet to be designed, and implemented to allow the United States to exercise a national food policy.

Federal Food Decision-Making

The call for a national food policy often is accompanied by concern over existing food policy making structure. Federal food policy is made by no less than 26 agencies and departments with countless suborganizations, committees, and commissions.

Most food programs are concentrated in a few departments, with seven congressional committees responsible for major food policy matters. Several of these agencies, such as the Council of Economic Advisors, the Federal Reserve Board, the Domestic Council and the Council of International Economic Policy, make decisions and recommendations on issues other than food.

While the newly-formed Agricultural Policy Committee was set up to coordinate all aspects of Federal food policy, both domestic and international, it is still too early to assess its effectiveness. The recent resignation of Secretary of Agriculture Earl Butz, who chaired the Committee, further clouds its potential future impact.

Overlap in Congressional committee jurisdiction is more pronounced. The Senate and House Agriculture Committees have general responsibility for most food legislation. However, many major food programs and policies are also within the jurisdiction of several other committees. For example, the Senate Foreign Relations and House International Relations Committees deal with food aid questions, while the Labor and Public Welfare Committees have jurisdiction over domestic feeding and food safety questions. In some cases, committees have routinely relinquished their responsibilities to the Agriculture Committees; in other cases they have not.

This problem is revealed further by looking at the origins of food and related bills. A recent OTA report revealed that the Agriculture Committees received 35 to 40 percent of all food-related bills and resolutions introduced in the 93rd and 94th Congress. The remaining measures were referred to about 15 other separate committees in each chamber.

This overlapping of Federal policy making is of concern to some members of Congress, who have attempted to place this issue on the agenda. Upcoming farm bill hearings may focus debate on duplication of effort and the responsiveness of the policy-making structure to rapidly changing conditions.

BACKGROUND

Prior to 1972, agricultural policies were largely devoted to farm surplus problems. Crop acreage set aside

programs were in force and the Food for Peace program along with the school lunch and commodity distribution programs were started for surplus disposal. Food prices were consistently low, and the advances in crop yield improvements made by technology suggested continuing over-capacity on the farm.

This situation abruptly changed in 1973, with an unprecedented demand for United States food. Old agriculture policies were clearly inadequate in the face of tight supplies, and more importantly, the uncertainty of the future.

With the passage of the 1973 Farm Act, farmers were urged to produce as much as possible with assurances of minimal government interference. Despite these assurances, the government has dramatically entered the market on several occasions with food embargoes, informal trade restraints, delays in export negotiations, and grain agreements.

These actions were sudden, unexpected, unplanned, and were examples of a government acting without the benefit of sound, flexible policy. Attempts to deal with severe price instability and commodity scarcity do not reflect an ordered progression of policy measures but rather have been ad hoc, isolated decisions which caused difficulties later. The control on soybean exports to Japan, which resulted in a Japanese-financed Brazilian challenge to U.S. world soybean dominance, serves as an example.

A number of serious problems now raise questions regarding the responsiveness of U.S. policy mechanisms:

- depletion of world grain reserves which provide a critical safeguard against famine and price instability
- erratic import demand from developing countries
- vacillation on taking the lead to eliminate hunger in the world
- sharp production cost increases
- uncertain price and future availability of critical farm inputs, especially energy and fertilizer
- unabated retail price increases despite declines in farm prices

--inadequate U.S. and international information systems

Needed Policy Direction

A sound policy framework must be based upon a series of goals that the policy attempts to satisfy. When a crisis occurs, or when conditions change rational shifts in priorities can then be guided by this framework. Present policies have no such framework, nor do they originate from an integrated set of goals.

The following represent major objectives which require policy guidance:

- Food safety: assuring that government surveillance, testing, and inspection of food is sufficient
- Food quality: assuring product integrity through grading and inspection
- Food production: setting flexible supply management guidelines that can operate under both shortage and surplus conditions with reasonable stability
- Farm income and prices: providing safeguards for farm income levels along with production incentives.
- Natural risks: providing farmers protection against economic and natural risks which threaten survival
- Reserves: handling reserves that build up during times of surplus.
- Commodity programs (sugar, dairy, peanuts): protecting producers of commodities which are in chronic oversupply
- Research: setting appropriate food and nutrition research priorities
- Nutrition: Coordinating research and education efforts more closely with food policy.
- Domestic feeding: Reevaluating the objectives of these programs on a continuing basis.
- Export market development: assuring adequate foreign markets for U.S. farm overcapacity

- Trade agreements: Relating these supply assurances to U.S. goals for high levels of production and strong export markets.
- Protecting family farms: maintaining a family farm system through a series of measures including cooperatives management, tax policy, credit, and market entry.
- Decisionmaking structure: coordinating agency activities

Issue: Analysis of the Federal Food Policy Decisionmaking Structure

The large number of executive agencies and congressional committees that make or influence food policies suggests opportunities for critically analyzing jurisdictional overlap. Such an effort could serve as a first or complementary step toward developing a national and international food policy that can respond to the interests of consumers, producers, foreign customers and can operate under varying economic conditions.

Past GAO Reviews

Information on United States Ocean Interests together with Positions and Results of the Law of the Sea Conference at Caracas (ID-75-46, 3/16/75)

The Need for a National Ocean Program and Plan (OGC-75-97, 10/10/75)

Grain Marketing System in Argentina, Australia, Canada, and the European Community; Soybean Marketing System in Brazil (ID-76-61, 5/28/76)

Ongoing GAO Reviews

Survey of Food System Models

Issue: Evaluating Options for Implementing a System of Domestic Food Reserves

The establishment of a domestic grain reserve has been subject of considerable debate and is frequently viewed

as being a key component of a national food policy. The relative merits of a reserve was the subject of a recent GAO report (Grain Reserves: A Potential U.S. Policy Tool, OSP-76-16) and will likely be debated at length in the upcoming Farm Act hearings.

Past Reviews

Grain Reserves: A Potential U.S. Food Policy Tool
(OSP-76-16, 3/26/76)

Ongoing Reviews

None

Issue: Assessing the Adequacy of Federal Agricultural Data Collection and Analysis Programs

Complete agricultural data and analysis is crucial to effective policy planning and implementation. To be useful, data collected, analyzed and disseminated by agencies must be comprehensive, accurate, reliable and timely. The large semi-secret Russian grain purchases of 1972 dramatically pointed out the weaknesses in U.S. agricultural data processing systems. The coincidental failures to assess adequately the extent and timeliness of information on world food output exacerbated this weakness.

Since that time, Congress has expressed a continuing concern over the adequacy of executive agency data collection and analysis systems, especially within the USDA, on which policy makers and planners must rely for necessary information.

The problems of inadequate data are now being corrected, and a recent OTA report outlines several options for improvement. GAO has also pointed out information gaps, particularly with respect to the Russian grain sales and a subsequent US - USSR agreement to obtain more reliable Soviet production purchase intention information.

Past GAO Reviews

What the Department of Agriculture Has Done and Needs To Do To Improve Agricultural Commodity Forecasting and Reports (RED-76-6, 8/17/75)

Ongoing GAO Reviews

Executive Branch Management of Russian Grain Sales, Agricultural Export Reporting and Related Export Policy Issues

Federal Food Decision Making
Congressional Committees with Food Jurisdiction

Senate		House	
Agriculture and Forestry	Foreign Relations	Agriculture	Education and Labor
Labor and Public Welfare	Select Committee on Nutrition & Human Needs		International Relations

The present committee structure of Congress includes several committees which have both direct and indirect jurisdiction over policies affecting the food industry. The organization chart above indicates the positions of these committees within the structure of Congress having primary food jurisdiction. The table of functions below shows the major areas of the food industry covered by the various committees.

Congressional Committees With Primary Food Jurisdiction

Senate	House
<p><u>Agriculture and Forestry</u></p> <ul style="list-style-type: none"> . Agriculture - all aspects . Research and Development, Credit, Rural Development, Electrification . Nutrition, Food Assistance . Production; Marketing; Price Supports . Insurance, Soil Conservation . Foreign Agriculture Development <p><u>Foreign Relations</u></p> <ul style="list-style-type: none"> . Foreign Agriculture Trade and Development . Treaties and Commodity Agreements . Food for Peace 	<p><u>Agriculture</u></p> <ul style="list-style-type: none"> . Agriculture - all aspects . Research and Development, Credit, Rural Development, Electrification . Nutrition, Food Assistance . Production; Marketing; Price Supports . Insurance, Soil Conservation . Foreign Agriculture Development <p><u>Education and Labor</u></p> <ul style="list-style-type: none"> . Farm Labor . Food Safety, Nutrition . Feeding Programs . Worker Safety

Labor and Public Welfare

- . Food Safety - General
- . School Lunch Program
- . Farm Labor
- . Worker Safety

Select Committee on Nutrition and Human Needs

- . Nutrition in General
- . Advisory Capacity

International Relations

- . Food Aid
- . Foreign Trade Development and Assistance
- . Treaties and Commodity Agreements

Legislation affecting food also comes within the jurisdiction of several other Congressional committees, including the following:

Congressional Committees With Secondary Involvement in Food IssuesSenateHouseAppropriations

- . Appropriation Matters

Banking, Housing, and Urban Affairs

- . Agricultural Commodity Prices, Agricultural Import Prices

Budget

- . Budgetary Impact Matters

Commerce

- . Interest Through FTC Involvement in Food Labeling, Industry Marketing Practices
- . Weather Service

Finance

- . Reciprocal Trade Agreements
- . Customs, Tariffs, and Quotas
- . Agricultural Tax Matters such as Tax Relief, Tax Shelters

Interior and Insular Affairs

- . Irrigation and Reclamation Policies and Programs
- . Water Supply
- . Environmental Policy
- . Resource Development Policy

Judiciary

- . Unfair Trade Practices
- . Agricultural Marketing Exemption for Cooperatives

Appropriations

- . Appropriation Matters

Banking, Currency, and Housing

- . Farm Credit, Insurance
- . Commodity Credit Corporation
- . Export Controls, International Agreements

Interior and Insular Affairs

- . Land Use, Planning Water Resources, Irrigation
- . Reclamation

Interstate and Foreign Commerce

- . Food Labeling, Packaging
- . Food Regulation
- . Weather
- . Interstate and Foreign Transportation Matters

Judiciary

- . Unfair Trade Practices
- . Family Farm Act

Merchant Marine and Fisheries

- . Commercial Fishing, Fishing Zones
- . Fisheries Treaties, Compacts

Post Office and Civil Service

- . Agricultural Census, Statistics in General

Post Office and Civil Service

- . Agricultural Census, Statistical Collection in General

Public Works

- . Rural Development
- . Pollution Control Related to Agricultural Restrictions
- . Road Construction in Rural Areas

Public Works

- . Water Pollution Related to Agriculture
- . Water Resources in General
- . Rural Transportation

Ways and Means

- . Tax Matters such as Estate Tax Relief, Tariff Measures, Food Assistance
- . Budget Impact
- . Trade Matters

**Principal Federal Agencies,
Commissions, Offices, and Departments
With Major Food Interests**

**Commodity Futures Trading
Commission**

- . Regulates Commodity Futures Trading

Department of Agriculture

- . Agriculture, Most Aspects,
23 Separate Agencies

Department of Commerce

- . Weather
- . Fishery

**Department of Health,
Education and Welfare**

- . Food Safety
- . Nutrition Research

Department of Interior

- . Land Management
- . Water Management
- . Fisheries

Department of Labor

- . Worker Safety
- . Rural and Migrant Workers

Department of State

- . Food for Peace Coordination
- . Foreign Trade Agricultural Policy
- . Foreign Agricultural Attaches

Department of Transportation

- . Major Indirect Influence
- . Highway and Rail Regulations Affecting Agricultural Supply Transport

Treasury Department

- . Major Indirect Influence
- . General Economic Policy

**Environmental Protection
Agency**

- . Major Indirect Influence
- . Water Pollution Control

Farm Credit Administration

- . Capital Credit

Federal Maritime Commission

- . Indirect Influence
- . Food Export Transport via Seaways

Federal Reserve

- . Major Indirect Influence
- . General Economic Policy - Banks located in strong agricultural areas.

Federal Trade Commission

- . Enforcement of Unfair Trade Practices in Food Industry
- . Trade Rules Affecting Food Labeling and Advertising

International Trade Commission

- . Import/Export Policy Enforcement

Interstate Commerce Commission

- . Minor Indirect Influence
- . Carrier Regulations

Agricultural Policy Committee

- . Overall food policy, chaired by USDA, participants from several agencies.

**Other Federal Activities
and Public Organizations
Having Food Interests**

Central Intelligence Agency

- . Indirect Influence
- . Analysis of World Agricultural Situation

Council of Economic Advisors

- . Indirect Influence
- . Economic Analysis, Advice on General Economic Policy

Council on International Economic Policy

- . Indirect Influence
- . General International Economic Policy

Department of Army

- . Indirect Influence
- . Water Resource Programs
- . Minor Food R&D
- . Major Food Purchaser

Domestic Council

- . Indirect Influence
- . General Economic Policy, Long-Range Planning

Export-Import Bank of U.S.

- . Financing of Trade Between U.S. and Foreign Countries

Federal Energy Administration

- . Major Indirect Influence
- . Allocation and Policies Regarding Energy Supplies

General Accounting Office

- . Indirect Influence
- . Audits Agricultural Organizations
- . Advises Congress on Policies and Programs

Library of Congress

- . Indirect Influence
- . Conducts Studies for Congress

National Science Foundation

- . Research into Food Production, Weather

Office of Management and Budget

- . General Economic Policy
- . Budget Control

Office of Technology Assessment

- . Indirect Influence
- . Conducts Studies for Congress

Organization for Economic Cooperation and Development

- . Worldwide Economic Growth and Trade Policy Promotion

United Nations (Food and Agriculture Organization, World Food Council)

- . Data Collection and Analysis
- . Worldwide Food Policy Promotion

FOOD ORGANIZATIONSInternational Organizations

Food and Agriculture Organization of the United Nations

U.N. agencies

United Nations Conference on Trade and Development.
United Nations Development Program.
UN/FAO World Food Program.
Protein Advisory Group.
World Food Council.

Other U.N. agencies

General Agreement on Tariff and Trade.

World Bank group

International Bank for Reconstruction and Development.
International Development Association.
International Finance Corporation.

Independent commodity councils

International Coffee Organization.
International Olive Oil Council.
International Sugar Council.
International Wheat Council.
International Cocoa Organization.

Regional and subregional banks

Inter-American Development Bank.
African Development Bank.
Asian Development Bank.

Autonomous commodity study groups

International Cotton Advisory Committee.
International Wool Study Group.
International Rubber Study Group.

Others

International Fund for Agricultural Development.
Consultative Group on International Agricultural Research.
Consultative Group on Food Production and Investment.
Organization for Economic Cooperation and Development.
Inter-American Institute of Agricultural Science.
International Seed Testing Association.
Desert Locust Control Organization for Eastern Africa.
Afro-American Rural Reconstruction Council.

International Tea Committee.
 North-East Atlantic Fisheries Commission.
 Arab Center for the Study of Arid Zones and Dry Lands.
 Cocoa Producers' Alliance.
 Commonwealth Agricultural Bureaux.
 European Economic Community.
 European and Mediterranean Plant Protection Organization.
 Inter-American Committee for Crop Protection.
 Inter-American Tropical Tuna Commission.
 International Commission for Agricultural and Food
 Industries.
 International Commission for the Conservation of Atlantic
 Tunas.
 International Commission for the Northeastern Atlantic
 Fisheries.
 International Commission for the Southeast Atlantic
 Fisheries.
 International North Pacific Fisheries Commission.
 International Regional Organization against Plant and
 Animal Diseases.

Consumer Groups

Consumer Federation of America
 Consumer Education Council on World Trade

General Policy and Research

Agribusiness Accountability Project
 Center for Science in the Public Interest
 Commission on Critical Choices*
 Community Nutrition Institute
 Food Research and Action Center, Inc.*
 Interreligious Task Force on U.S. Food Policy
 National Council on Hunger and Malnutrition
 National Rural Center
 Rural America

Foundations

Children's Foundation
 Farm Foundation*
 Field Foundation*
 Ford Foundation*
 Heritage Foundation
 Rockefeller Brothers' Fund, Inc.*
 Rockefeller Foundation*

Professional Organizations

American Association for the Advancement of Science
 American Fisheries Society

National Planning Association

General Public Policy

American Enterprise Institute
 Aspen Institute for Humanistic Studies
 Brookings Institution
 Institute for Policy Studies

Research Groups

Agricultural Research Institute
 Council for Agricultural Science and Technology*

Trade Associations

American Farm Bureau Federation
 American Institute of Food Distribution
 American National Cattlemen's Association*
 Farmers Union
 Great Plains Wheat, Inc.
 Grocery Manufacturers of America, Inc.
 National Association of Food Chains
 National Cannery Association
 National Council of Agricultural Employers
 National Council of Farmer Cooperatives
 The National Grange
 National Live Stock and Meat Board*
 National Livestock Feeders Association*
 United Fresh Fruit and Vegetable Association

International Research Groups

Agricultural Cooperative Development International
 International Food Policy Research Institute
 Overseas Development Council
 World Watch Institute

Miscellaneous Agricultural Publishing Organizations

Farm Reports, Inc.
 Farm Business, Inc.

*indicates organization is based outside of the metropolitan Washington, D.C., area

Sources of Information -- Periodicals, Journals, etc.

National Journal Reports
 Congressional Quarterly Weekly
 The Congressional Monitor
 Editorial Research Reports

Fortune
Nation's Business
Business Week

American Journal of Economics and Sociology
Economic Bulletin for Asia and the Far East
Challenge, Journal of Economic Affairs
Land Economics
Intereconomics
Oriental Economist
Applied Economics
Money Manager
American Journal on Agricultural Economics
Monthly Bulletin of Agricultural Economics and Statistics

News from the National Research Council
Bulletin of the Atomic Scientists
Science
Scientific American
American Scientist
Food Chemical News
Farm Chemicals and Croplife
Agricultural Science Review

The Kiplinger Agricultural Letter
The Washington Agricultural Record
Farm Journal
Farm Quarterly
Successful Farmer

Ceres
Foreign Agriculture
China Report
China News Analysis
Atlantic Community Quarterly
Journal of Developing Areas

Futurist
Population Bulletin

American Opinion
American Federationist

Foreign Policy
Foreign Affairs
World Politics

Time
Newsweek

APPENDIX II

APPENDIX II

U.S. News & World Report
Commentary
Harper's
Nation
Commonwealth

Congressional Record

Federal Reserve Bank of Kansas City Monthly Review

WHO Chronicle

International Social Science Journal
International Perspective

Food Drug Cosmetic Law Journal
Food Technology
Food Engineering

The American Journal of Clinical Nutrition
Journal of the American Dietetic Association
CNI News Weekly
American Journal of Public Health
Journal of the American Medical Association
Nutrition News
Milling and Baking News

Daily Newspapers--
Journal of Commerce
Wall Street Journal
New York Times
Washington Post
Des Moines Register