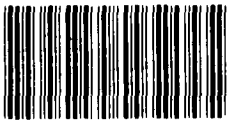
STUDY BY THE STAFF OF THE U.S.

General Accounting Office

Food, Agriculture, And Nutrition Issues For Planning



During this decade the importance of our food system has been amply demonstrated. We have experienced both an oversupply of agricultural commodities and a depletion of worldwide food reserves. The consumer has been rediscovered and concern with the American peoples' health and security has focused attention on food prices, food quality, and nutritional impact. The Federal Government is intimately involved in the food system through its regulation, surveillance, oversight, price support, and assistance activities.

This study examines the current and emerging issues relating to Federal involvement in the food, agriculture, and nutrition area and represents the perspective used in organizing GAO audit efforts.

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FOREWORD

The events of the past several years have brought to the forefront the importance of food, agriculture, and nutrition issues to public policy decisions. Sharp increases in food prices, unprecedented foreign demand for U.S. agricultural products, continuing world hunger, the safety of food additives, the integrity of our food quality assurance system, the importance of nutrition in improving health, and increasing consumer activism represent some of the more important concerns facing the Nation. GAO, in past reports to the Congress has addressed, in part, all of these items.

As part of our continuing reassessment of critical national issues, and as an aid in focusing our own objectives, we have tried to identify food, agriculture, and nutrition areas that need the most attention. This study identifies and describes what we believe are the critical food, agriculture, and nutrition 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 effort in the food, agriculture, and nutrition issues and programs.

It is hoped that others will find these issue discussions helpful in their own activities and that a better understanding of the crucial issues facing decisionmakers will result.

This document was developed by Todd D. Weiss of the Food Analysis and Coordination Staff with the cooperation of other offices. Questions regarding the content of this study should be directed to William E. Gahr, Assistant Director, (202) 275-5525.

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Contents

ABBREVIATIONS

FDA	Food and Drug Administration
FSQS	Food Safety and Quality Service
HEW	Department of Health, Education, and Welfare
LDC	less developed countries
MTN	multilateral trade negotiations
OTA	Office of Technology Assessment
R&D	research and development
USDA	United States Department of Agriculture

PART I

INTRODUCTION

FOOD PROGRAM PLAN

To strengthen its ability to analyze and make recommendations to the Congress on Federal programs and policies, the General Accounting Office (GAO) has prepared program plans (centering on 35 different issues) that set-out strategies for the Office to follow in planning its work. Government food programs and policies become one of the most important of these items as (1) the world population grows, (2) food demands increase, and (3) efficient distribution of food production resources becomes more complex.

This document outlines the major issues and goals of a U.S. food policy. In all, a total of 11 issues are discussed.

FOOD ISSUES

A national food policy will be based on several underlying goals, even though the specific elements of a national policy are yet to be determined. These goals are divided into four areas of concern:

--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 development assistance, humanitarian measures, and commercial exports.

--developing and coordinating national and international food policies and programs.

Assuring safe, nutritious food for all segments of the population

This goal is based on the philosophy that well-fed Americans are happy, healthy, contribute greater capacity to their country, and tax the medical and social system less than poorly fed Americans.

Major food programs of the Federal Government within this goal encompass nutrition research, education, surveillance, and standards; food assistance programs such as school

lunch, women, infants, and children, and food stamps; quality assurance programs for food inspection, grading, and safety; and purchasing programs for food. These programs and activities directly affect the ability of consumers to receive an adequate and nutritious diet. Within this goal, the important questions are:

--How effective are Federal efforts to promote good nutrition?

--Do food quality assurance programs adequately insure the provision of safe, nutritious food to consumers?

--How effective are the Federal domestic food assistance programs?

--How effective will new technological advances be in improving nutrition?

Assuring that the economic strength of the food system is maintained

The underlying philosophy of this goal is that American resources are limited and require national attention on research, development, and regulation to channel resources, to increase productivity, to stabilize wide fluctuations in prices and quantities, and to streamline our production/distribution systems of basic necessities.

Major food programs and policies oriented toward this goal include farm price supports; agricultural research; farm input assistance; and regulations, research, and administration affecting food marketing and distribution. The most important questions involving this goal are:

--What can the Federal Government do to improve the food marketing and distribution process?

--What can the Federal Government do to maintain a viable, effective, and efficient food production system?

Fulfilling the Nation's commitment to help meet world food demand through development assistance, humanitarian measures, and commercial exports

This goal is based on the philosphy that the world is an island, that sovereign nations are mutually dependent, that world stability is better than instability, and that

comparative advantage in production exists and results in worldwide trade.

Major programs within this goal include food aid, development assistance, trade policies, and trade promotion activities. The three issues requiring attention under this goal are:

--What can be done to improve food supplies and nutrition worldwide?

--How effective are Federal efforts to maintain strong U.S. agricultural export sales?

--What are the effects of U.S. food import policies on U.S. food needs?

Developing and coordinating national and international food policies

This goal is based on the philosophy that balance among interdependent competing interests is important, that matching basic resources to needs becomes more important as supply uncertainty grows, effective use of Federal resources becomes more important as economic growth decays and the rate of change increases, and attention to future environments requires an improved understanding of the whole set of current programs and patterns of direction. All programs covered by the other three goals are important in satisfying this goal to integrate Federal activities in meeting current needs and in adapting to the changing environment. Within this goal, the important questions are:

--What can be done to improve Federal effectiveness throughout the food decision system?

--How effective are Federal agricultural data collection, statistical, and analysis programs?

CONGRESSIONAL ACTIVITY

Farm legislation in the 1960s was designed to inhibit surplus production and provide support for specific commodities. In the 1970s agricultural policy turned about to expand both domestic and foreign markets, and to lessen Government intervention while protecting farm income. Current Government food policy is at a crossroads. The general farm legislation that weathered through the export boom and spiraling food prices expired in 1977. The Food

and Agriculture Act of 1977 features generally higher price supports and more generous loan programs on major commodities. The Farm Act issues include:

Payment limitations--Most farmers who receive Government payments can look forward to higher maximum limits on amounts paid.

Dairy and Beekeepers--Computations for milk support prices will be made differently and more often and higher support levels are ordered. New dairy and beekeepers indemnity programs are authorized along with new ice cream standards.

Wheat and Feed Grains--New levels were set for target prices, loan rates, and program acreage authority and set-aside authority and disaster programs are detailed. Emergency Farm Amendments in 1978 further increased wheat price supports.

Soybeans and Sugar--The Secretary of Agriculture is required to establish a mandatory loan and purchase program for soybeans for 1978-81 crops. A price support and purchase program for crops of sugarcane and sugar beets was established.

Food Stamps--Eligibility was limited in some new ways. Benefits to the Nation's lowest income individuals and families are increased with food stamps now to be issued without charge to virtually all qualifying families.

Continued attention in future Congresses will probably be focused in four areas. These are:

--Efforts to minimize the impact on the consumer from inflation in general and particularly from rising food prices.

--The integration of food safety, nutrition, and health (including the development of an improved grain inspection program).

--The effects on farmers of rising production costs and resource losses.

--Balancing the Federal roles in international trade and providing technical and food assistance to other nations.

Many bills were introduced in the 95th Congress that could have had a major effect on our food system; however, they were not passed. These bills, which may be reintroduced in the 96th Congress, covered such topics as feeding programs, nutrition, consumer cooperatives, meat imports, farmer-to-consumer marketing, food labeling, and sugar.

FEDERAL FOOD DECISIONMAKING

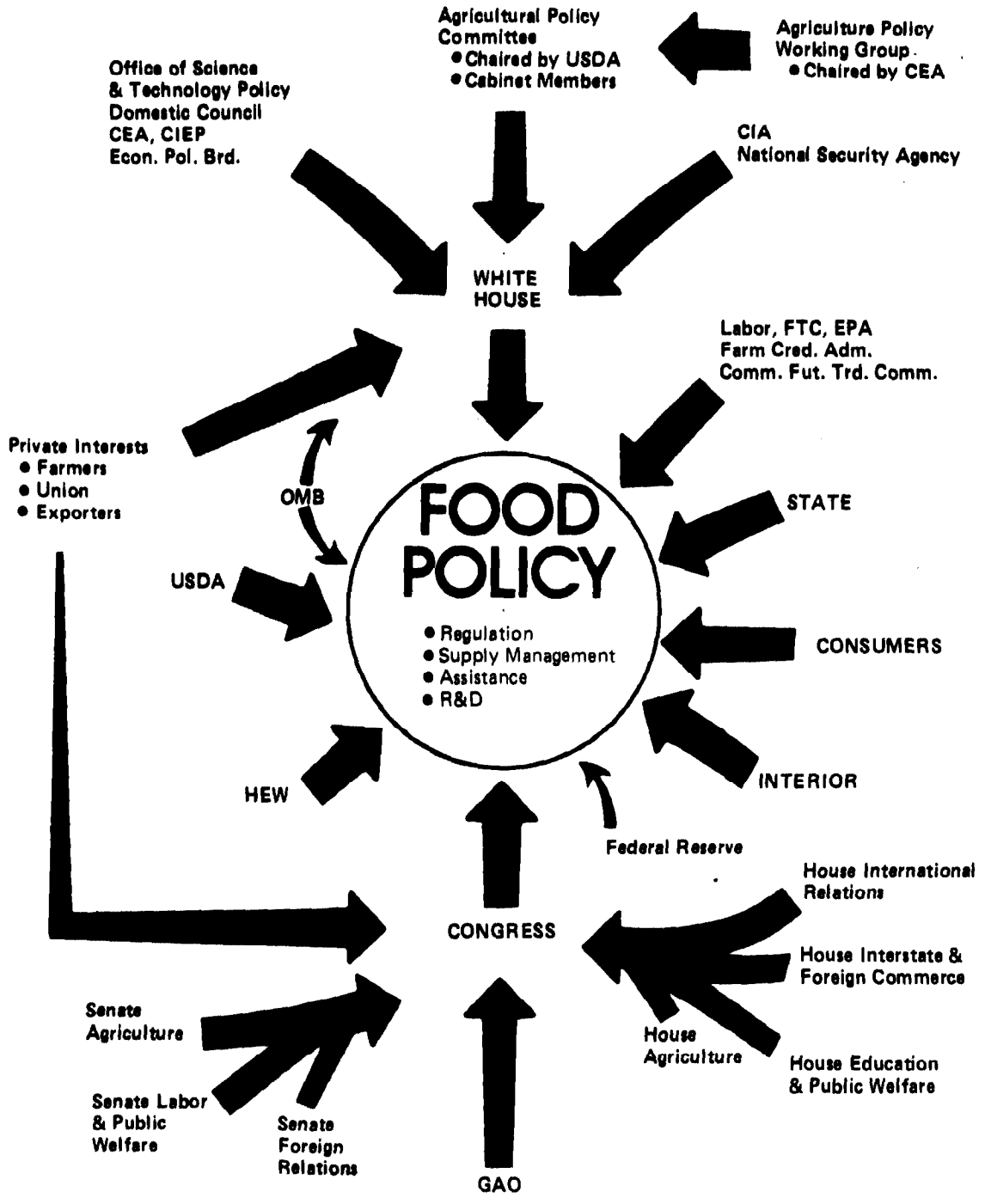
Pressures for a national food policy intensified during the past few years as diverse issues and debate on the farm bill, food stamps, and Public Law 480 called attention to the lack of an integrated force. Such a policy, it is argued, should incorporate elements of supply policy, export controls, international agreements and commitments, nutritional planning, and food quality assurance. Part of the concern over the Nation's lack of a comprehensive policy is the fragmented and conflicting goals of various policies and the large number of Federal agencies that administer the various food programs.

Responsibility for Federal food programs and policies is fragmented throughout Government. The diagram on the following page illustrates the many agencies, commmittees and other interests that influence Federal food policy.

There appears to be an overlapping of responsibility among the Federal agencies and congressional committees. Over 26 agencies and 30 full congressional committees have some responsibility in food programs and policies. The bulk of the food programs are concentrated in a few departments and seven congressional committees are responsible for most major food policy matters. Agencies such as the Council of Economic Advisors, Federal Reserve Board, Domestic Council, and the International Policy Group (which considers food as well as other issues) make decisions and recommendations affecting many issues other than food.

On the congressional side, jurisdictional overlap 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 other committees. For example, the Senate Foreign Relations and House International Relations Committees deal with food aid questions and the Labor and Public Welfare Committees have jurisdiction over domestic feeding and food safety questions.

MAJOR INFLUENCES ON FOOD POLICY



In some cases committees have routinely relinguished their responsibilities to the Agriculture committees; in other cases they have not. The committee overlap is further illustrated by the referrals of food, agriculture and nutrition bills, and resolutions introduced in the 95th Congress. Thirty-one different House and Senate Committees considered 1,798 such bills and resolutions. (See app. IV.)

The White House and the Congress are considering reorganization questions that will arise in 1979. The reorganization options offered must at the very least improve the linkages between existing organizations and not merely be a reshuffling of functions for the sake of reorganization.

PART II

FOOD POLICY GOALS AND RELATED ISSUES

Goal 1: Assuring safe, nutritious food for all segments of the population

Consumers not only assume that Government will assure that enough food will be available but also that the food will meet their nutritional needs, will not be injurious to health, and will be priced within their budget. When special target groups (such as the elderly and the poor) have not been able to acquire safe nutritious food by themselves, some 12 food assistance programs have been developed to bring these target groups to American standards.

The growing complexity of food distribution, consumer income, nutritional needs, and food processing technology has paved the way for Government involvement in assuring food availability and quality since the late 1880s. We now rely on the Government to administer programs dealing with:

--nutritional standards, R&D, surveillance, information, and goals;

--food safety, grading, identity, information, advertising, R&D, and monitoring; and

--target food programs for children, elderly, poor, disabled, and the military.

BACKGROUND

The Federal role in nutrition standards, quality food assurance and food assistance has expanded over the years. Even though significant steps on nutrition standards and quality assurance were taken by the late 1880s, it was not until the 1930s and 1940s that the Government expanded into food coupons, school lunch and food fortification. This role expanded again in the 1960s with the food stamp program and addition of other food assistance measures.

Today Federal programs having a direct, nutritional affect on the public total $40 billion, with over $9 billion of that spent on food assistance. In the 1970s increased Government attention is being placed on consolidating these various programs and making them as nutritionally effective as possible without endangering safety, basic human rights or contributing to chronic illness and social malaise. As more and more interest groups (consumers, researchers, technologists, industrialists, and farmers)

have recognized nutrition to be the explicit goal of all groups in the food system, more and more policymakers have called for an integration of the U.S. agriculture, food, and nutrition programs.

Issue: How effective are Federal efforts to promote good nutrition?

This issue includes the goals of establishing good nutritional standards, determining the degree of need for nutrition surveillance, and setting new objectives in light of the changing consumer and governmental emphasis in this area.

Both U.S. Department of Agriculture (USDA) and the Department of Health, Education, and Welfare (HEW) are necessary to successful administration of nutrition programs. However, the congressional impetus for good nutrition comes almost exclusively from the Senate Committee on Agriculture, Nutrition and Forestry, and the House Agriculture Subcommittee on Domestic Marketing, Consumer Relations and Nutrition. The 1977 Farm Act directed USDA to take the lead in nutrition research. And whereas nutrition is only one element in the health system, it is the primary objective of the food system and the necessary ingredient in giving explicit goals to that system.

It is essential to provide a good reference point in formulating nutrition policy since the nutrition standards ultimately are the goals of the entire food system. This reference point consists of nutrition R&D to determine the nutrient needs of different people and to determine--through surveillance--the nutrition status of our population. It is then a matter of policy to determine the degree and method to improve the nutritional status of various segments of the population. Both food assistance and nutrition education programs are used to improve nutritional status. Direct assistance programs covered in this study are primarily USDA feeding programs and are of such importance that they are covered in a separate issue. Four subissues are covered here: nutrition R&D, standards, surveillance, and information.

Nutrition R&D--About $70 million is currently being spent each year on nutrition R&D, most of it in the National Institutes of Health and USDA. Small, but significant R&D efforts are also being made in the Food and Drug Administration (FDA) and the Department of Defense. It is not entirely certain that this effort is being directed at the most important nutritional problem or that sufficient

attention is given to coordination of individual efforts toward unified results. The 1977 Farm Act directed USDA to take the lead in nutrition R&D, but this consolidation effort has only begun.

Establishment of nutrient dietary standards--essentially the American diet is influenced by two types of standards.

--The recommended dietary allowance (RDA) as established by the National Academy of Sciences/National Research Council.

--Various safety standards imposed by the Food Safety and Quality Service (FSQS) of USDA and by FDA.

The RDAs are the best estimates of what nutrients are needed by the healthy human. Virtually every dietary plan is based to some extent on RDAs. Unfortunately these allowances are not perfect and do not include many nutrients, particularly trace mineral levels. Also, little is known about the effects of marginal underuse of most nutrients or a large overuse of them for different age groups.

Nutrition surveillance--Current nutrition surveillance activities within USDA and HEW have been characterized as being untimely, unable to pinpoint nutrition deficiencies for specific geographic areas or certain target groups, and having various methodological deficiencies. Recently, HEW and USDA proposed a joint surveillance plan which, if enacted, would provide a comprehensive system including health and nutrition status, dietary intake, and evaluation of feeding programs. It seems likely that the Congress will approve the proposal but structural problems of coordination and cooperation between USDA and HEW have already surfaced. It will take 3 to 5 years for the system to be implemented.

Nutrition information--Unless what we already know, and what we are currently finding out about nutrition and its relationship to health is effectively transmitted to food consumers, our knowledge is useless. It is generally recognized that most food consumers know little about nutrition. Because of our high standard of living and economic ability to purchase varied and ample quantities of food most of us receive sufficient nutrients and many of us receive too much. Thus, we do not starve or suffer, for the most part, from serious vitamin and protein shortages; but we do suffer from obesity and heart disease and other diet-related disorders. It is important that we recognize the relationships between food intake and health.

Nutrition education for most Americans is based upon family meal patterns, limited school courses, food labeling, and food advertising. There are no formal Federal programs that significantly promote nutrition information. The few programs that are available are not tested or evaluated or designed to work together.

These are questions that need to be answered before we are assured that the Federal Government is doing everything it can to insure the nutritional health of its population.

1. What is good nutrition?

2. Is there a need for a national policy which integrates nutrition, food, and agriculture programs?

3. What should be the nutritional goals of the U.S.?

4. What is the nutritional health of the U.S. population?

5. How can nutritional knowledge of the U.S. population be increased?

Issue: Do food quality assurance programs adequately insure the provision of safe, nutritious food to consumers?

Government food assurance efforts started in the late 1800s and have evolved as a fragmented set of inspection, safety, and grading programs separately administered by HEW and USDA. Although this structural problem has been recognized for some time, it is emerging as a controversy today with the President's Reorganization Project and the Senate Government Operations Committee considering a structural reorganization. The concept of quality assurance (a single inspection point for safety, quality, and grading) is beginning to provide direction to USDA's 12,000-staff safety quality force in the FSQS, and to HEW's 2,000-staff food safety force in the Food and Drug Administration. USDA is developing a food quality assurance plan that will provide direction in this area. The controversy between these two departments therefore arise from the fact that despite USDA doing 80 percent of the food quality work, FDA receives considerably more publicity and attention. Two basic sub-issues are involved here: food safety/ quality and food grading.

Food safety/quality--USDA food safety activities are conducted primarily by FSQS and include the following:

--Inspection of animals and poultry (optional for poultry) before and during slaughter.

--Inspection of the processing of meat and poultry to ensure that the products are wholesome, produced under sanitary conditions, and are not adulterated or mislabeled.

--Inspection for harmful pesticides and other chemical and biological residues.

--On site reviews of foreign inspection systems and plants exporting meat and poultry products to the U.S.

--Certification of U.S. meat and poultry products for condemned meat and poultry products.

--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.

--Providing support services in the fields of chemistry, microbiology, pathology, parasitology, toxicology, and epidemiology.

--Approval of plant and animal facilities and equipment.

Efforts to provide and promote food safety are undertaken by FDA. FDA food safety activities include:

--Food sanitation control.

--Insuring the safety of ingredients added to food.

--Preventing chemical contaminants from entering the food supply.

--Control of communicable diseases spread through interstate transportation.

--Identifying and controling microtoxins and other natural poisons in foods.

--Improving nutrition quality of foods through nutrient labeling, nutrient composition, and biological availability of nutrients in food.

--Improving safety and quality of shellfish.

--Insuring fair packaging and labeling and preventing adulterated and misbranded foods from reaching the public.

Commodity grading--USDA's Agricultural Marketing Service (AMS) Federal Grain Inspection Service (FGIS), and FSQS are responsible for inspection or grading of numerous products including cotton, dairy products, fruits and vegetables, grain, meat and poultry products. Grading was originally established to provide wholesalers an indication of size or quality of farm products. Grading has also become a consumer tool although the various types and reasons for marketing may in fact confuse the consumer and are less useful to the consumer than to the distributor.

Changing consumer needs dictate that we use a grading scheme that will provide information that both marketers and consumers alike can use in making rational economic decisions. Standards must meet current demands for more useful information. Possibilities include factors such as nutritional value, stability, convenience and even safety. These go beyond the traditional standards of quality based on appearance, texture, uniformity, marbling, and so on.

The standards used must ultimately reflect perceptible differences between grades, and the terms used should consistently imply a similar 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.

The following questions should be considered in addressing this issue:

1. What are the current and continuing problems within the quality assurance programs of food safety and food grading systems?

2. What changes should be made in these programs to remedy or prevent those problems?

3. What are the current food inspection programs and the standards inherent in those programs, and how do they relate to each other?

Issue: How effective are the Federal domestic food assistance programs?

Some of the food assistance programs are organized on a food specific or functional basis while others are organized based on the groups to be served (i.e., the poor, elderly, and children). These programs serve several purposes. They make food available to eligible groups of people to improve nutrition or combat hunger; they act as income security programs by supplementing available family income; and they contribute to farm and retail food sales. Currently there are at least 12 Federal programs that directly contribute to the feeding of certain target groups.

USDA

--The Food Stamp Program which assisted needy families at an estimated cost of $5.2 billion in fiscal year 1977 and has served over 18 million persons at any one time.

--The Special Supplemental Food Program for Women, Infants, and Children (WIC) assisted qualified mothers and children to obtain specific nutritious foods at an estimated cost of $281 million in fiscal year 1977.

--The School Breakfast Program which served almost 200 million free and reduced price breakfasts at an estimated cost of $147 million in fiscal year 1977.

--The Special Milk Program which provides free milk to eligible children in participating schools, child care centers, and summer camps at an estimated cost of $152 million annually.

--The Food Donation/Commodity Distribution Programs under the National School Lunch Act and the Child Nutrition Act.

--The Summer Feeding Program which provides meals or snacks to eligible, participating children during the summer months at an estimated cost of over $100 million yearly.

--The Child Care Food Programs which provide free meals and snacks to eligible children in participating institutions at an estimated cost of $98 million annually.

--Nonfood support such as kitchen equipment for schools participating in the School Lunch Program at an estimated yearly cost of $49 million.

--Nonfood assistance for the elderly feeding programs at an annual estimated cost of $11 million.

HEW

--Title VII programs of the Older Americans Act provides nutritious meals to those over 60 who cannot afford to eat adequately, lack meal preparation skills, have limited mobility, or are lonely. In fiscal year 1976, Federal cash assistance for the program amounted to $224.6 million with about 244,000 meals served daily.

--Headstart is designed to give disadvantaged children an opportunity to develop skills before entering school. The program also provides meals to participating children. In fiscal year 1977, this program served 349,000 children at a cost of $441 million.

COMMUNITY SERVICES ADMINISTRATION

--Community food and nutrition programs were designed to make Federal, State, and local feeding and nutrition programs more accessible to the needy at an estimated cost of $26.2 million in 1977.

GAO has conducted numerous reviews of the food assistant programs. The programs are no longer inherently controversial, but their impact in both dollars and benefits will continue to make this an issue. Areas of concern are as follows.

Overlapping--The programs were assembled in a piecemeal fashion. This could allow some potential target groups to be missed and definitely creates the possibility of overlapping benefits whereby some recipients can receive food far in excess of their daily requirements.

Similarly, the multitude of programs might not be the most efficient means of delivery. To this end the administration attempted to integrate the child feeding programs into a block grant system which would distribute money to the States. Although this action died, a pending proposal would move child food assistance into a department of education.

Benefits--Benefits of all the programs, particularly the food stamp program, are regularly challenged as being overly generous. Likewise others accuse critics of the programs of trying to place overly restrictive limits on the programs which reduce their effectiveness as feeding programs.

Targets--The makeup of the target groups are also regularly challenged--again primarily in the food stamp program. Questions arise as to whether the programs are so broad in coverage as to allow inclusion of middle income Americans who were not the initial targeted groups. Charges of excessive fraud, program abuse, and sloppy management are often leveled at the food stamp program.

Objectives--The most important question, and one surprisingly not asked very often, is: "Are the programs really meeting their objectives?" Is the nutritional status of recipient groups being improved? Unfortunately there is a decided lack of information that provides a milestone by which these programs can be measured.

The following questions should also be addressed when considering this issue:

1. Do these food assistance program objectives need to change in the current set of circumstances?

2. Do the programs actually reach the target groups or does both overlap and inequity result?

3. Are benefits keeping pace with current costs of living? Do these benefits effectively bootstrap the recipients?

4. What alternative structural reorganization efforts could improve the efficiency of these programs?

Issue: <u>How effective will new technological advances be in improving nutrition?</u>

In the last 4 to 5 years there has been increasing interest in finding new food sources--either by using previously untapped sources such as Antarctic krill, developing new food sources or enhancing old ones. Examples of this involve advances in aquaculture, oil-based protein foods, and fabricated foods. The Office of Technology Assessment (OTA) is considering doing a limited review of this area, but it is an issue that will require increased attention in the future.

GAO Reports

The Impact of Federal Commodity Donations on the School Lunch Program (CED-77-32, 1/31/77)

Information on a Department of Agriculture Claim Against the Commonwealth of Puerto Rico (CED-77-40, 2/24/77)

Nationwide Food Consumption Survey: Need for Improvement and Expansion (CED-77-56, 3/25/77)

The Summer Feeding Program--How to Feed the Children and Stop Program Abuses (CED-77-59, 4/15/77)

Problems Persist in the Puerto Rico Food Stamp Program, the Nation's Largest (CED-78-84, 4/27/77)

Certain Food Aspects of the School Program in New York City (CED-77-89, 6/15/77)

Food Stamp Receipts--Who's Watching the Money? (CED-77-76, 6/15/77)

The Food Stamp Program--Over Issued Benefits Not Recovered and Fraud Not Punished (CED-77-112, 7/18/77)

The National School Lunch Program--Is It Working? (PAD-77-6, 7/26/77)

Department of Agriculture and Commonwealth of Puerto Rico Program Controls Over Federally Donated Commodities (CED-77-120, 8/18/77)

National Nutrition Issues (CED-78-7, 12/8/77)

A Better Way for the Department of Agriculture to Inspect Meat and Poultry Processing Plants (CED-78-11, 12/9/77)

Progress and Problems in Implementing the Grain Standards Act of 1976 (B-11824, 2/78)

How Good Are School Lunches? (CED-78-22, 2/3/78)

Action Needed to Improve the Nutrition Program for the Elderly (HRD-78-58, 2/23/78)

Informing the Public About Nutrition: Federal Agencies Should Do Better (CED-78-75, 3/22/78)

Federal Human Nutrition Research Needs a Coordinated Approach to Advance Nutrition Knowledge (PSAD-77-156 & 156-A, 3/28/78)

The Summer Feeding Program for Children: Reforms Begun-Many Urgently Needed (CED-78-90, 3/31/78)

Food Stamp Work Requirements--Ineffective Paperwork or Effective Tool? (CED-78-60, 4/24/78)

Federal Domestic Food Assistance Programs: A Time for Assessment and Change (CED-78-113, 6/13/78)

Department of Agriculture's Beef Grading: Accuracy and Uniformity Need to Be Improved (CED-78-141, 7/21/78)

Future of the National Nutrition Intelligence System (CED-79-5, 11/7/78)

Recommended Dietary Allowances: More Research and Better Food Guides Needed (CED-78-169, 11/30/78)

Proposed Changes in Meat and Poultry Net Weight Labeling Regulations Based on Insufficient Data (CED-79-28, 12/20/78)

Formulated Grain-Fruit Products: Proposed Restrictions on Use in School Breakfast Program Should Be Re-evaluated (CED-79-12, 12/26/78)

Regulation of Retailers Authorized to Accept Food Stamps Should be Strengthened (CED-78-183, 12/28/78)

Studies in Process

Review of USDA's ability to determine impact of budget changes on child nutrition programs (09726)

Review of food quality criteria (09706)

Survey of Federal efforts to foster nutrition professions (09724)

Review of grain inspection and weighing systems (02232)

Review of certain aspects of the school breakfast program (02395)

Factors inhibiting expansion of the school breakfast program (02396)

Review of the special supplemental food program for women, infants, and children (02398)

Effect of employment service's resource allocation formula on its efforts to place food stamp recipients in jobs (02399)

Monitoring the Department of Agriculture's workfare pilot projects (02301)

Goal 2: Assuring that the economic strength of the food system is maintained

The economic vitality of those entities engaged in producing, processing, and marketing food to consumers is recognized as crucial toward providing consumers a continuous stream of safe, high quality and relatively low priced food. Government programs and policies which disrupt one or more of the above food system "links" threaten the proper functioning of the system and its ability to respond to the needs and desires of the consuming public. Such disruptions can take the form of inadequate farm policies that dampen production or innovation by not providing proper incentives to produce; conflicting and overlapping Federal and State rules and regulations that impede productivity gains and increase costs of food marketing; or policies that threaten the future supply of basic food producing resources such as land, water for irrigation, energy, fertilizer and money (capital and credit).

The potential impact of Government actions and behavior on the operation of the food system is of major concern. It is of concern to the businesses involved in producing and selling the food and to consumers who usually shoulder the burden of Government actions via higher retail food prices or higher taxes.

BACKGROUND

The food system is an intricately woven pattern of many sectors of the economy and encompasses far more than farming. It includes (1) the so-called "input" industries which provide the products utilized by the farm sector such as energy, machinery, chemicals, etc., (2) the farm sector itself meaning the producers of crops, livestock, and dairy products (one could also include the fishing industry here although it is not commonly referred to as such), (3) the food processing sector such as slaughter houses and meat packers, grain mills, dairies, canners, packers, and prepared food manufacturers, (4) warehousing, transportation and distribution, (5) retail food stores and restaurants and, (6) the individual consumer.

U.S. agriculture is a vital cog in the U.S. and world economies. Agricultural exports have accounted for a growing portion of the Nation's foreign exchange and have played a vital role in creating a positive balance of trade for the United States.

The food system is the Nation's largest industry--employing about 20 million workers. As an indicator of the size and importance of the U.S. food industry, consider:

--Food and beverages represent nearly 20 percent of the Consumer Price Index (CPI). (This figure becomes more important since food is a day-to-day expense rather than a long term capital outlay.)

--Personal consumption expenditures for food in 1977 were over $218 billion. This represents 20 percent of all personal expenditures.

--Almost $24 billion in agricultural products was exported in 1977, resulting in a $10.2 billion agricultural trade surplus. In fact, since 1971, agricultural trade has created a surplus while non-agricultural trade tallied a huge deficit.

--In 1976, food, nutrition, and agricultural production and support industries accounted for one-quarter of the Gross National Product.

--Agricultural exports ($24 billion) paid for over half of our oil and oil-related imports ($44.4 billion) in 1977.

Issue: <u>What can the Federal Government do to improve the food marketing and distribution process?</u>

There is a need to look at how the food distribution process could be made more efficient and to determine the current problems in the food marketing and distribution processes in relation to their future ramifications. The food marketing system links the farmer and consumer through processing, packaging, and distributing farm products. In 1977, the estimated cost of the marketing bill was $123.5 billion, approximately two-thirds of the consumer bill for farm-produced foods. Many components of the marketing bill, such as labor, packaging and transportation are affected by a wide variety of Government programs, policies, and regulations, ranging from social security taxes to regulations in a host of other areas, as well as by industry practices.

The sharp increases in food prices in this decade--20 percent in 1973; 14 percent in 1974; 9 percent in 1975; 4 to 5 percent in both 1976 and 1977; and an estimated 10 percent in 1978 are of great concern to the Congress and consumers. These price increases are occurring despite fluctuating farm prices: When farm prices fall, there appears to be no proportional downward pressure on prices

at the retail level. The causes of this anomaly are many, not the least of which are Government programs and actions which continue unabated despite their effect on inflationary trends and industry cost structures.

Government programs are instituted for a wide variety of reasons. These include:

--Assuring the viability of the farm sector through price supports.

--Protecting the public health through use of food safety regulations.

--Enabling the consumer to make informed judgments by requiring sufficient product information and preventing misrepresentation.

--Insuring the quality of the environment.

--Addressing the needs of workers by providing a minimum wage and protecting their health and safety at the workplace.

All Government programs cost something. Either directly to the taxpayer, the consumer in higher food prices, or to the producer in reduced income and higher operating costs due to environmental or safety regulations. Programs are instituted because the benefits which are expected to accrue to either the producer or consumer are seen as being worth the cost.

Examples of how programs can affect food processors include:

--Installation of additional equipment to reduce pollution in food manufacturing plants.

--Modification or replacement of equipment to engineer noise out of the workplace.

--Conduct tests to determine plant noise levels.

--Testing and recordkeeping to assure food safety.

--Minimum wage and overtime requirements.

--Payroll taxes for Social Security and Unemployment Insurance.

--Import quotas on food.

These and other programs increase costs by mandating additional expenditures and often apply to all firms, including non-food organizations. Programs may also discourage new implementation and innovation as a result of

--perception of possible antitrust violations and

--imposition of new requirements or calls for new legislation.

Federal programs are usually thought of as being necessary to protect the publich health and welfare and few would argue for their elimination. It is in the area where differing goals of agencies come into conflict that Federal programs require close scrutinizing so as to eliminate unjustified costs. Examples often cited include:

--Occupational and Health Safety Administration (OSHA) requirements to engineer noise out of the workplace, where food industry expenditures of $590 million will be required to achieve a 90 decibel level, and $2.6 billion to achieve an 85 decibel level. Is the effect on worker injuries of this additional 5 decibel reduction substantial enough to require almost five fold additional expenditures?

--USDA requires that all labels on food products containing meat or poultry receive prior approval necessitating numerous filings with their accompanying expenses, while FDA relies on voluntary compliance with spot checks. Is the USDA procedure necessary?

--OSHA requirements (designed to protect workers) conflict with USDA or FDA requirements designed to assure food safety. Conflicts cause confusion and additional expense in their resolution.

The effect of compliance may fall more heavily on smaller firms. These 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. It is important to view Federal programs because of their probable effect on industry structure as well as other immediate benefits and costs.

The traditional practices involved in marketing food are also components of the marketing bill. The costs of packaging, advertising, and retailing food must be included in that they adversely affect food competition and ultimately prices; while others feel that labor costs are at the root of rising prices. Consumers, frustrated with higher prices seek alternative ways to obtain their food. The Government (and the food industry) have taken small steps to encourage alternatives, but much remains to be done.

The following questions should be addressed in dealing with this issue:

1. What are the likely future food marketing and distribution constraints and what are their implications for future congressional action?

2. Can the food marketing and distribution systems provide quality products at reasonable prices more effectively?

3. Does the current regulatory framework promote an efficient food system?

Issue: <u>What can the Federal Government do to maintain a viable, effective, and efficient food production system?</u>

This issue reflects the national concern over the survival of the smaller or family farm. The small farmer is being pushed out of the farming industry by larger farms. This change in the character of American farms affects the entire production system, the price of commodities to consumers, and the returns to producers. This area has been a subject of much congressional interest.

The Government has used compensatory programs designed to maintain farm income at acceptable levels in the face of U.S. agricultural over capacity. The Food and Agriculture Act of 1977 features generally higher price supports and more generous loan programs on major commodities. Increased price supports reflect increased production costs. The intent is to protect farm producers from a fluctuating marketplace, while assuring adequate supplies of food at home and abroad. However, no food policy can meet all objectives equally. There must be trade-offs. Among the more obvious conflicts that occur between farmers and consumers are high price supports to bolster farm income versus lower supports to keep down retail prices; or the trade-off between farmers who want high grain prices and livestock producers who want low

grain prices. The goals and objectives of farmers, processors, marketers, consumers, and taxpayers must all be considered and weighted when evaluating farm policy options.

Production resources and inputs--Another major concern to both producers and consumers alike is the future cost and availability of basic resources used for producing food--land, water, energy, labor, fertilizer and capital. American agriculture is highly dependent on these resources for a level of high output, particularly fertilizer, which is critical for maintaining the high yields characteristic of U.S. agriculture.

U.S. policies which affect each of these resources are often considered separately and not with the total resource requirements for food production. The fossil fuel inputs are of particular concern because of their finite supply, rapidly expanding costs and competing nonfarm use. Increased food output will largely come from increased yields rather than bringing more land under cultivation. Energy based fertilizer and water inputs are of uppermost concern. Their limited supply and higher costs will lead to diminishing returns and a potential leveling of output.

Farm structure--Since 1950, U.S. farmers have been going out of business at the rate of more than 2,000 weekly. The number of farms has dropped from 8 million in 1935 to 5.7 million in 1950, to 2.34 million in 1974, and is projected to drop to 1.5 million by 1980. Future farms are expected to become larger and require fewer workers as machinery and capital are substituted for labor. Since 1950, the average farm size has increased about 80 percent.

For the farmer who wants to start from scratch, 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; in 1969 about $85,000- double the 1960 figure. A 1973 USDA study shows capital needs for a technically optimal 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 sectors for inputs such as 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.

The following questions should be answered in considering the importance of this issue:

1. How effective are farm subsidy programs in maintaining farm viability for different sizes and types of farms?

2. Can alternative production and marketing systems for farmers improve farm productivity and stability?

3. Can alternative inputs and resource substitution improve farm productivity and flexibility?

4. How important is the farm sector to regional economics and rural communities?

GAO Reports

New Approach Needed to Control Production of Major Crops if Surpluses Again Occur (CED-77-57, 4/25/77)

Administration of Marketing Orders for Fresh Fruits and Vegetables (B-177170, released 5/15/77)

Federal Deficiency Payments Should Not Be Made for Crops Not Grown (CED-77-77, 5/24/77)

Marketing Meat--Are There Any Impediments to Free Trade? (CED-77-81, 6/6/77)

The Department of Agriculture Should Be Authorized to Charge for Cotton Classing and Tobacco Grading Services (CED-77-105, 8/2/77)

Food Waste: An Opportunity to Improve Resource Use (CED-77-118, 9/16/77)

U.S. Great Lakes Commercial Fishing Industry--Past, Present, and Potential (CED-77-96, 9/30/77)

Compilation of Information Concerning Federal Disaster Relief Programs (CED-78-13, 11/17/77)

The Effect of the Presidential Proclamation of November 11, 1977, on Refined Sugar (B-118622, 3/14/78)

Redesigning Shipping Containers to Reduce Food Costs (CED-78-81, 4/28/78)

Foreign Ownership of U.S. Farmland--Much Concern, Little Data (CED-78-132, 6/12/78)

What Causes Food Prices to Rise? What Can Be Done About It? (CED-78-170, 9/8/78)

Beef Marketing: Issues and Concerns (CED-78-153, 9/26/78)

Changing Character and Structure of American Agriculture: an Overview (CED-78-178, 9/26/78)

Compliance with Limitations on Payments to Farmers (CED-79-31, 1/4/79)

Studies in Process

Review of issues concerning the use of prime and other agricultural land for non-agricultural purposes (02173)

Assessment of the effectiveness of the new sugar program and the long-term implicatons for continued domestic and international involvement (09716)

Survey of farmer cooperatives (02436)

Survey of adequacy of controls over CCC owned and loan collateral commodities (02231)

Review of foreign investment in U.S. farmland (02182)

Review of regulations affecting food transport (09711)

Alternative farming systems (09723)

Survey of statistical reporting service determination of average price received by rice farmers (02234)

Review of the feasibility of colocating more USDA field offices (02238)

Review of USDA wheat and feed grain set-aside programs (02240)

Survey of dairy price support policies and options (02241)

Survey to assess and evaluate the effectiveness of the child care food program (02303)

Goal 3: Fulfilling the Nation's commitment to help meet world food demand through development assistance, humanitarian measures, and commercial exports

The United States, with its agricultural abundance and humanitarian outlook, is looked upon as playing a major role in marshaling efforts to combat world hunger. Few nations in the world can grow enough food to meet their needs. Many can purchase sufficient amounts of imported food to fulfill their demand while others, representing about 10 percent of the world's population, cannot afford to rely on imports and are in a chronic net food deficit position. In both cases, much of the world is relying more 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 1970s and now provides the farmer with 25 percent of his income and are the principal reason why U.S. balance of trade is not worse. Abroad, the United States has emerged as the dominant world food trader. Coinciding with this surge in food exports has been a 200 percent increase in food prices since 1968, and several dramatic market intervention actions by the Federal Government including imposition of export controls and negotiation of international commodity agreements. Such actions have significantly influenced domestic supply and prices and our foreign economic objectives.

BACKGROUND

During the 1960s, U.S. agricultural abundance presented Government officials with a surplus disposal problem. Farmland was diverted from production, and the Government was accumulating large amounts of surplus grain as part of its farm income maintenance programs. Food exports were low, and while much of the world was hungry and in a food deficit position, U.S. exports were not significantly within economic reach. The Government accelerated its food for peace program during this period primarily as a tool for disposing of surplus grain and for developing needed export markets. Food exports during the 1960s ranged between $54.8 million and $6.8 billion annually with Public Law 480 shipments accounting for 17 percent to 27 percent of the total.

Beginning in the early 1970s the world marketplace underwent a 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 reversals in 1972 and 1973--causing the first decline in world food output in decades--sent demand for U.S. food soaring and caused a total drawdown of world food reserves.

--Entrance of centrally planned economies, principally the USSR, in 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.

--Expanding market development for basic U.S. grains.

As a result of the above factors, U.S. food exports quickly surged from $7.7 billion in 1971 to $18 billion in 1974, and to $24 billion in 1977, a 300-percent increase in just 6 years. One out of 3 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 (DCs), 30 percent to less developed countries (LDCs), and 30 percent to centrally planned economies.

Imports of food have also increased and now stand at nearly $14 billion (1977) giving a total agriculture trade surplus of about $10 billion in 1977.

Aside from boosting farmer viability, other significant benefits accruing from the large export market include:

--$24 billion in food exports resulted in another $24 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 over 650,000 additional nonfarm jobs.

--Agricultural trade is the only reason U.S. balance of payments has been positive 2 out of the last 5 years.

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

Given the United States' food resources and commitment to help meet the needs of other nations, existing programs designed to achieve these objectives need close and continuous monitoring for their effect on domestic interests and foreign needs. In particular, the need to achieve a balance among political, economic, and humanitarian objectives requires attention.

Issue: What can be done to improve food supplies and nutrition worldwide?

This issue emphasizes the need to look at both the quantity and quality of food, not only in LDCs but around the world, and also reflects the current debate over the effectiveness of humanitarian versus development assistance--keeping in mind the political and economic ramifications of both. The underlying goal of this issue is to provide the appropriate type of assistance to LDCs that will meet the varying nutritional and food needs of the different countries.

UNITED STATES POLICY

The United States has vital economic, political and humanitarian interests in the future of the less developed countries of the world. By the end of this century about 6 billion people will be crowded together on the globe. A large part of the world will be struggling with massive economic and social problems. Efforts must be made by the world community to help these countries solve their problems or else the prospects for a stable and tranquil world order would seem to be very bleak.

Thus, it is in self-interest to help develop the poor countries of the world. Also, the United States has a deep and humanitarian interest in helping to alleviate the suffering of the poorest people of the world. These humanitarian concerns express the most profound and firmly held values of the American people.

The principal instruments by which the United States attempts to achieve its development and humanitarian objectives bilaterally and multilaterally, are its foreign economic assistance program, its food aid program and its foreign trade in agricultural products. The United States will allocate $673 million in fiscal year 1979 for development programs aimed at alleviating hunger and improving nutrition in the developing countries. An additional $1.4 billion is programed for Public Law 480 food assistance to achieve both humanitarian and development objectives.

Hunger--Global hunger persists as a major world problem. Experts generally agree that about 400 to 500 million persons exist in a state of malnutrition. They are underfed or are missing critical nutrients from their cereal dominated diet, and they likely suffer from nutrient deficient 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 their plight will worsen to the point of massive famine should harsh weather prevail in the absence of international safeguards.

Distribution--World food supplies are badly distributed. The developed world represents 30 percent of the population yet consumes 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, LDCs are consuming only 95 percent of their requirements, while developed countries are consuming 123 percent of their needs. Their farm sectors are not advanced, yields are very low, and distribution and storage systems are inadequate. Government policies to keep domestic food prices low to consumers discourages farmers from producing more. Population increases negate virtually any increase in food output.

Consumption patterns of the developed world are not encouraging to the LDCs. The average LDC individual consumes 300 pounds of grain annually, almost all of it directly. The average American consumes an equivalent of 1,850 pounds of grain yearly--200 pounds directly (mostly bread and cereal) with the remainder fed to livestock. The centrally planned economies, in an attempt to upgrade their diet, are intensifying their livestock grain feeding efforts. Russia and the United States each now feed over 100 million metric tons (MMT) of grain to livestock annually compared to just 30 MMT totally for all LDCs. These trends

put on additional upward competing pressure for grains--the staple diet for LDCs.

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

--LDC food production growth rates must double (to 3-4 percent yearly)--A feasible occurrence since yield improvement opportunities are good and agricultural development policies could be altered to spur innovation and internal production.

--Developed country exports must also increase--a likely occurrence given continued technological advances.

--International efforts in food aid, development assistance, food research and technology transfer are all important measures that can be accelerated.

--An international food reserve is needed to help combat a poor crop year--an often discussed but yet to be implemented policy tool.

The following questions need to be answered in responding to this issue:

1. What is the world nutritional status?

2. How do U.S. nutrition, food, agriculture, and trade policies affect the nutritional status of other countries?

3. What are the key elements of a mechanism in which U.S. food and development assistance can systematically help reduce hunger and malnutrition worldwide?

4. How effective are U.S. bilateral-multilateral efforts in improving the LDC food-population situation?

Issue: <u>How effective are Federal efforts to maintain strong U.S. agricultural commercial export sales?</u>

In view of the Nation's dependency on exports and the world's food dependency on the United States, the goal of this issue is to determine whether the United States is

maintaining strong agricultural export sales, with attention to the need of producers and consumers--both foreign and domestic.

The United States, the world's largest exporter of farm products, accounts for nearly half the world's export of wheat and feedgrains. In 1977, United States farm exports were valued at $24.2 billion. With the comparative edge enjoyed by the United States, further expansion of world markets is conceivable. Such an expansion would greatly help our overseas balance-of-payments situation and is vital to sustaining U.S. farm income levels.

U.S. imports of foreign agricultural products in 1978 are expected to approximate the 1976 level of $13 to $14 billion. Thus, with expected lower export levels in 1978, the agriculture trade surplus may narrow from the 1977 level of $10.6 billion.

In light of U.S. dependence upon export markets and the need to protect consumers against high prices and short supplies, several recent Government actions have generated concern over U.S. food trade policy. The Government has

--increased the amount of credit available for financing exports,

--increased target support prices for major commodities,

--entered into a grain agreement with Russia and others, and

--granted general trade concessions in the current round of multilateral trade negotiations. Talk of using food as a political tool surrounds the debate of Public Law 480 issues.

The importance of the current multilateral trade negotiations (MTN) takes on added significance in light of the importance of U.S. food exports to domestic interests. Nearly two-thirds of U.S. exports are subject to foreign market restrictions greater than the United States imposes on imports (45 percent of U.S. imports are duty free). The United States wants these barriers removed so the principles of comparative advantage and market prices can operate. The European Common Market (EEC) is of particular importance because of their restrictive agriculture policies toward the United States and their sizable market potential. The MTN has progressed slowly, however, particularly with respect to agricultural issues. Many

developed countries, but principally the EEC, are sensitive about their agricultural policies and are quick to protect their domestic interests against the United States and other food exporters. The policies followed by United States negotiation in MTN, and other international negotiation forums such as United Nations Council on Trade and Development (UNCTAD) and Organization for Economic Cooperation and Development (OECD) should be monitored for consistency and compatability with food trade policy in general.

These questions are vital in responding to this issue:

1. Are U.S. export promotion activities adequate in view of the Nation's dependence upon foreign sales?

2. What is the effect of alternative export policies on consumer, producer, and foreign buyer interests?

3. What effect will long-term commodity supply agreements have on domestic interests during a food shortage?

4. Are recently negotiated bilaterial commodity agreements equitable and economically justified?

Issue: <u>What are the effects of U.S. food import policies on U.S. food needs?</u>

The United States is generally "free trade" oriented 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 interest for health or economic reasons. Recently, meat import quotas were imposed for the first time since the Meat Import Act was enacted in 1962, due to the fluctuating market conditions.

GAO Reports

Hungry Nations Need to Reduce Food Losses Caused By Storage, Spillage, and Spoilage (ID-76-65, 11/1/76)

Challenge of World Population Explosion: To Slow Growth Rates While Improving Quality of Life (ID-76-68, 11/9/76)

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

Issues Surrounding the Management of Agricultural Exports (Vols. I & II: ID-76-87, 5/2/77)

The United States Should Play a Greater Role in the Food and Agriculture Organization of the United Nations (ID-77-12, 5/16/77)

The World Food Program--How the U.S. Can Help Improve It (ID-77-16, 5/16/77)

Need to Consider Population Growth in Sahel Development Planning (ID-77-40, 6/17/77)

Impact of Population Assistance to an African Country (ID-77-73, 6/23/77)

Restrictions on Using More Fertilizer for Food Crops in Developing Countries (ID-77-6, 7/5/77)

Impact of Population Assistance to an Asian Country (ID-77-10, 7/12/77)

Credit Programs for Small Farmers in Latin America Can Be Improved (ID-77-1, 12/9/77)

U.S. Participation in International Agricultural Research (ID-77-55, 1/27/78)

Studies in Process

Review of the effectiveness and management of PL480, Title II: Food Donation Program (47150)

Assessment of USDA's CCC export credit sales program (48300)

Survey of Impact of U.S. food exports and food aid (09705)

Goal 4: Developing and coordinating national and international food policies and programs

The United States is completing another year of food supply uncertainty. During the last few years increased emphasis had been placed on consumer interests and the issues of food prices, food availability and nutrition. In effect, the change from surplus food to uncertain food supplies has ushered in the era of food policy as opposed to agricultural policy. This shift in emphasis is still ongoing and is recognized by the Congress and the administration by new references to food and agriculture. However, the mix of programs and the operating set of policies still are products of the age of food surplus. The age of agricultural policy should be behind us, but the bureaucratic machinery has yet to be designed, much less implemented, to place the United States in a position to exercise a national food policy.

The call for a national food policy often is accompanied by concern over existing food policymaking structure. Federal food policy is made by no less than 26 agencies and departments with countless suborganizations, committees, and commissions. The Congress has often expressed concern over the agency duplication and competing efforts and its availability to respond to rapidly changing conditions.

BACKGROUND

Prior to 1972, agricultural policies were largely devoted to reducing farm surpluses. Crop acreage set-aside programs were in force, 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 explosion in crop yield improvements and other technology promised a continuing "problem" with overcapacity on the farm.

The world and U.S. food situation abruptly changed in 1973. Unprecedented demand for U.S. food surged, brought about by a remarkable sequence of coincidental events. Old agriculture policies were clearly obsolete and unable to handle a tight supply situation, and more importantly, the uncertain situation in the future.

Beginning with passage of the 1973 Farm Act, farmers were urged to produce as much as possible with assurances of minimal Government interference. The 1973 Farm Act, clearly embodied this "market-oriented" philosophy.

Despite such assurances, the Government dramatically entered the market on several occasions in the form of food embargoes, informal restraints, export negotiation delays, and grain agreements. These actions were sudden, unexpected, unplanned, and reflected Government acting without the benefit of a sound, flexible policy mechanism. Attempts to deal with severe price instability and commodity scarcity do not have a historical progression of policy measures but rather have occurred as ad hoc, isolated decisions which caused difficulties later. The control on soybeans to Japan is one instance of domestic policy which has resulted in a Japanese financed Brazilian challenge to U.S. world soybean dominance.

The 1977 Farm Act has continued this market oriented philosophy, making very few changes in overall U.S. policy.

Issue: What can be done to improve Federal effectiveness throughout the food decision system?

This issue recognizes the interaction between all parts of Federal food policymaking--not just the structural aspects.

A sound policy framework must be based upon a goal or series of goals that the policy attempts to satisfy. Most would agree that the following represent reasonable food policy goals:

1. To assure Americans an adequate supply of high quality, safe food at a cost which is affordable to all segments of the population.

2. To assure food producers and marketers a fair economic return with adequate incentive to maintain supplies.

3. To maintain a commitment to help alleviate malnutrition abroad.

Existing policies throughout Government adhere to some of these goals but are not consistently or necessarily followed. When a crisis occurs, or when conditions change, choices have to be made regarding priorities. A sound policy framework could guide the decisionmaking. Present policies have no such framework, nor do they subscribe to an integrated set of goals.

The following represent major food concerns. Each requires policy guidance.

Food safety: Assuring that Government surveillance, testing, and inspection of food is sufficient.

Food quality: Assuring the integrity of the product through grading and inspection.

Food production: Setting supply management objectives with flexibility to operate under shortage and surplus conditions with reasonable stability.

Farm income and prices: Price protection schemes must accommodate economic and natural risks which threaten survival.

Reserves: There must be a policy for handling reserves that build up during times of surplus.

Commodity programs (sugar, dairy, peanuts): Goals for each program, regarding supply and prices, must be integrated with food policy goals in general.

Research: Both food and nutrition research priorities must be established.

Nutrition: Research and education are important concerns in nutrition and need to be linked more closely with food policy.

The increasing interdependence between the micro-systems within the food sector, and between the food sector and other global issues require that we deal with the food and global systems as wholes rather than as a collection of separate components. This holistic approach requires that we address the three goals noted above. Although none of these interests can be met without the consideration of the others, if examined separately, they often lead to conflicting recommendations.

The many executive agencies and congressional committees that make or influence food policies suggest opportunities for critically analyzing program and policy 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.

The increasing complexity of the environment today is making it necessary for us to use simulation tools to adequately analyze the food issue as it interacts with all of the other systems. USDA is expanding its capabilities in simulation techniques to evaluate the interrelationships of food, energy, and the environment. GAO has done some work with simulation in the food area, but there is much we could do.

Various simulation models are available that can be useful in helping us refine our thought process. By using modeling and simulation techniques we can begin to interweave the recommendations and findings from the other issues into sets of understandable packages.

There are questions that need to be answered before we are assured that the Federal Government is doing everything it can to maximize its effectiveness in the food system. These include:

1. What Federal programs exist that affect food, agriculture, and nutrition, and how do they interact and function?

2. How can Federal policy best safeguard against:

   --Depletion of world grain reserves?

   --Erractic and unpredictable import demand from developing countries?

   --Sharp production increases?

   --Price increases for and unavailability of critical farm inputs?

   --Unabated retail price increases despite declines in farm prices?

3. What are the best tools and techniques available for modeling and representing the food system, and how can these techniques be used in the Federal food decisionmaking and policy setting system?

Issue: How effective are Federal agricultural data collection, statistical, and analysis programs?

The integrity of agricultural data and analysis is crucial for effective policy planning and implementation. To be useful, data collected, analyzed, and disseminated by agencies must be accurate, reliable, timely and in a

suitable format. The events of 1972, when large semi-secret Russian grain purchases occurred, dramatically pointed out the weaknesses in the U.S. agricultural data processing machinery. The coincidental failures to adequately assess the extent and timeliness of information on world food output exacerbated this weakness in U.S. information machinery.

Since 1972, the Congress has expressed a continuing concern over the adequacy of executive agency data collection and analysis systems, especially within USDA, upon which policymakers and planners must rely for necessary input.

Deficiencies in the system are in the process of being corrected. A recent OTA report addresses itself to these issues and outlines several options for improvement. GAO has also pointed out such weaknesses, particularly with respect to the Russian grain sales and a subsequent U.S.-U.S.S.R agreement to obtain more reliable Soviet production/purchase intention information.

GAO Reports

Food and Agriculture Models for Policy Analysis (CED-77-87, 7/7/77)

Coffee: Production and Marketing Systems (ID-77-54, 10/28/77)

Studies in Process

Catalog and preliminary analysis of the Federal food program organization structure (09709)

PART III

FUTURE OUTLOOK

Prior to 1972, the principal concern of the U.S. Government relating to food was the management of what seemed to be a perpetual surplus. At the same time we were concerned with maintaining sufficient farm income levels to insure adequate food production. This is no longer the case. Steadily increasing international food demand and widely vacillating food production in most of the world has led to a situation where the future of the food system is at best problematic and highly uncertain. This condition was aggravated by a fivefold increase in the cost of petroleum derived fertilizer--essential to the production of high-yield "miracle" grains.

The international or global food considerations could previously be isolated from our domestic awareness, but now this country is realizing that global interdependence is everyone's responsibility. Two-thirds of the world's population lives in less developed countries which have the fastest population growth rates but the least productive agriculture. These less developed countries are import dependent and are hovering beneath the subsistence level. Ten percent of the world's population cannot afford to import and is in a chronic food deficit position.

Despite these characteristics, the plight of hungry nations can improve if they can double their own food production rates, improve their internal distribution systems, and hope that developed nations continue high production levels to allow continuing access to food aid and commercial exports. Reduction in population growth rates could have the greatest effect on reducing food demand, but is not likely to occur within the next few decades.

POSSIBLE FUTURE CONDITIONS

Various analyses, judgments, factors, and projections have produced a multitude of possible questions that can be considered. Some of these are:

--How soon can we expect world population to outstrip food production given no major developments to curtail population or increase production?

--In what regions and how soon can we expect famines, given current, optimistic, or pessimistic trends?

--How much effort should be devoted to technology research and industrialized farming to increase worldwide food productivity?

--What efforts must be taken to merge the concerns inherent in health, nutrition, and food to more adequately meet the needs of the world's people?

--How should we allocate resources to meet world and domestic demands for food, transportation, safety, etc.?

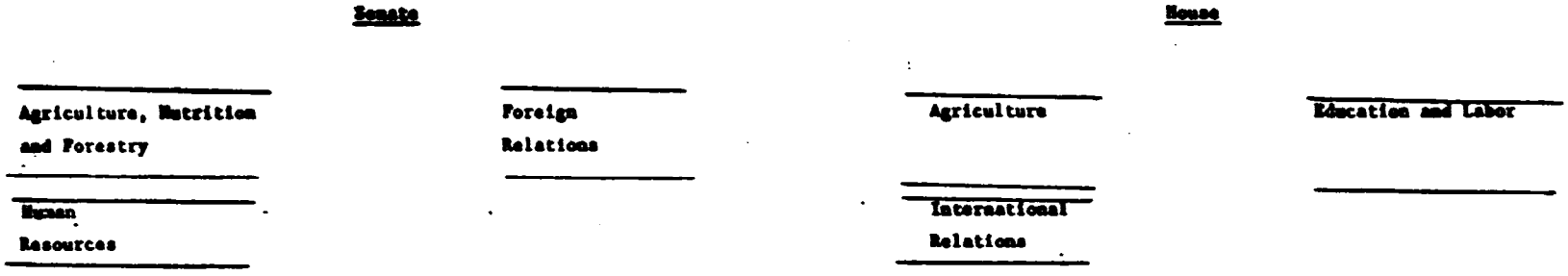
--When must we begin to initiate a comprehensive food policy that can deal with the questions of domestic and international development, food self-reliance, the efficiency and economies of food production, and unexpected occurrences (i.e., droughts, famines, embargoes, etc.)?

--What stimulus is needed to encourage the LDCs to change their policies and begin to build their agricultural infrastructure at the expense of industrial development?

Based on just these few questions there are many critical choices ahead that could warrant Government action. We feel that efforts will continue in developing a national food policy incorporating the goals of the current agricultural, nutritional, food delivery, and international systems. International and domestic interest in the relationship between health, nutrition, and agricultural production will continue growing. Steps will probably be taken to establish a world food reserve; appropriate technological breakthroughs and use of new farming techniques will require us to change our approach to agricultural production and distribution.

FEDERAL FOOD DECISION MAKING

CONGRESSIONAL COMMITTEES WITH FOOD JURISDICTION



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.

Congressional Committees with Primary Food Jurisdiction

Senate

Agriculture, Nutrition and Forestry

- Agriculture - all aspects
- Research and Development, Credit, Rural Development, Electrification
- Food Stamps, School Nutrition Programs
- Nutrition, Food Assistance
- Production, Marketing, Price Supports
- Insurance, Soil Conservation
- Foreign Agriculture Development

House

Agriculture

- Agriculture - all aspects
- Research and Development, Credit, Rural Development, Electrification
- Nutrition, Food Assistance
- Production, Marketing, Price Supports
- Insurance, Soil Conservation
- Commodities Exchanges

APPENDIX I

Senate	House
Foreign Relations	**Education and Labor**
Foreign agriculture trade and development	Labor standards and statistics
Treaties and commodity agreements	School food programs
Foreign food, hunger and nutrition	
Human Resources	**International Relations**
Agricultural colleges	Foreign trade development and assistance
Labor standards and statistics	Treaties and commodity agreements
	Food aid

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

Congressional Committees With Secondary Involvement in Food Issues

Senate	House
Appropriations	**Appropriations**
Appropriation matters	Appropriation matters
Banking, Housing and Urban Affairs	**Banking, Finance and Urban Affairs**
Agricultural export controls	Control of price of agricultural commodities
Agricultural foreign trade promotion	Financial aid
Credit and financial institutions	
Budget	**Budget**
Budgetary impact matters	Budgetary impact matters
	Agricultural tax matters
Commerce, Science and Technology	**Interior and Insular Affairs**
Interstate commerce	Land use planning, water resources, irrigation
Consumer products and service regulations	Reclamation
Weather service	

APPENDIX I

Senate

Energy and National Resources
- Farming and grazing on public lands and forests

Environment and Public Works
- Environmental policy, research, and development
- Pollution control related to agricultural restrictions
- Environment protection, resource utilization, and conservation

Finance
- Reciprocal trade agreement
- Customs, tariffs, and quotas

Governmental Affairs
- Census and collection of statistics

Judiciary
- Unfair trade practices
- Agricultural marketing exemption for cooperatives
- Administrative practice and procedures

House

Interstate and Foreign Commerce
- Food labelling, packing
- Food regulation
- Weather
- Interstate and foreign transportation matters

Judiciary
- Unfair trade practices

Merchant Marine and Fisheries
- Commercial fishing, fishing zones
- Fishery treaties, compacts

Post Office and Civil Service
- Agricultural census, statistics in general

Public Works and Transportation
- Transportation except railroad related

Science and Technology
- Scientific and environmental, and energy
- Research and development
- Weather service
- Domestic and international scientific planning, analysis, and cooperation

Ways and Means
- Customs, tariffs, quotas
- Reciprocal trade agreements

APPENDIX I

APPENDIX II

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
- Title VII
- Nutrition education

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 transportation

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 regulation

Agricultural Policy Committee
- Overall food policy, chaired by USDA, particupants from several agencies

APPENDIX III

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 the United States
- Financing of trade between United States and foreign countries

Federal Energy Administration
- Major indirect influence
- Allocation and policies regarding energy supplies

General Accounting Office
- Indirect influence
- Audits agricultural organizations
- Advises the Congress on policies and programs

Library of Congress
- Indirect influence
- Conducts studies for the 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

APPENDIX IV

COMMITTEE REFERRALS OF FOOD, AGRICULTURE, AND NUTRITION BILLS AND RESOLUTIONS INTRODUCED IN THE 95TH CONGRESS (note a)

Referred to senate committees	Number of bills and resolutions
Agriculture, Nutrition, and Forestry	130
Appropriations	4
Banking, Housing, Urban Affairs	22
Commerce, Science, Transportation	15
Energy and Natural Resources	54
Environment and Public Works	10
Finance	27
Foreign Relations	17
Government Affairs	9
Human Resources	67
Judiciary	13
Rules and Administration	3
Total (note b)	372

a/95th Congress, first and second sessions through 6/16/78.

b/Referrals will not equal items introduced, since some bills are not referred to committee while others are referred to more than one committee.

APPENDIX IV

Referred to house committees	Number of bills and resolutions
Agriculture	547
Appropriations	6
Armed Services	3
Banking, Finance, Urban Affairs	61
Education and Labor	111
Government Operations	17
House Administration	7
Interior and Insular Affairs	48
International Relations	103
Interstate and Foreign Commerce	285
Judiciary	64
Merchant Marine and Fisheries	1
Post Office and Civil Service	51
Public Works and Transportation	38
Rules	23
Science and Technology	22
Small Business	12
Veterans	4
Ways and Means	282
Total (note a)	1426

a/Referrals will not equal items introduced, since some bills are not referred to committee while others are referred to more than one committee.

APPENDIX V

OTHER FOOD ORGANIZATIONS

International 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 Agriculture 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 Bureau
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

Miscellaneous groups

Agribusiness Accountability Project
Center for Science in the Public Interest
Commission on Critical Choices (note a)
Community Nutrition Institute
Food Research and Action Center, Inc. (note a)
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 (note a)
Field Foundation (note a)
Ford Foundation (note a)
Heritage Foundation
Rockefeller Brothers' Fund, Inc. (note a)
Rockefeller Foundation (note a)

a/Indicates organization is based outside the metropolitan Washington, D.C., area.

APPENDIX V

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 (note a)

Trade associations
- American Farm Bureau Federation
- American Institute of Food Distribution
- American National Cattlemen's Association (note a)
- Farmers Union
- Great Plains Wheat, Inc.
- Grocery Manufacturers of America, Inc.
- National Association of Food Chains
- National Canners Association
- National Council of Agricultural Employers
- National Council of Farmer Cooperatives
- The National Grange
- National Live Stock and Meat Board (note a)
- National Livestock Feeders Association (note a)
- 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.

Sources of information--periodicals, journals, etc.
- National Journal Reports
- Congressional Quarterly Weekly
- The Congressional Monitor

a/Indicates organization is based outside the metropolitan Washington, D.C., area.

APPENDIX V

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

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