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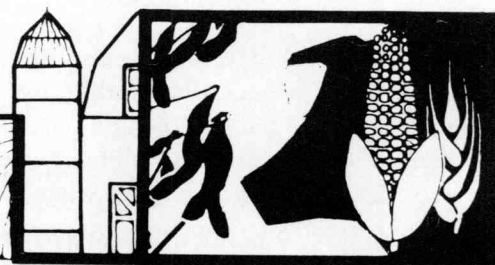
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LETTER



THE USDA'S FOOD ASSISTANCE PROGRAM has grown rapidly over the years. A number of related programs, aimed at improving the nutritional status of infants, children, and low income families, have succeeded the emergency food distribution program of the 1930s. These programs now include the Food Stamp Program, National School Lunch and Breakfast Programs, Special Milk Program, Special Food Service Program, Supplemental Food Program for Women, Infants and Children, and Commodity Distribution Programs. Though the Food Stamp Program (reviewed in Agricultural Letter No. 1552) siphens off most of the domestic food program dollars, the other programs combined still accounted for \$4.7 billion in federal expenditures in fiscal 1980, a fourfold increase in ten years. Changes and reductions in some of these other food assistance programs may be in the works in light of Administration efforts to tone down federal government expenditures.

The National School Lunch Program (NSLP) was enacted in 1946 to safeguard the health and well being of the nation's children and to encourage the domestic consumption of nutritious agricultural commodities. This program provides public and nonprofit private schools of high school grade and under—including residential child-care institutions—with financial assistance or commodities to help defray the cost of lunches served to school children. The institutions, however, are required to meet standards of nutrition in order to receive the aid.

All children of institutions that participate may purchase these school lunches. But, in many cases, lunches are provided free or at reduced prices. Students' eligibility for free or reduced-price meals is determined by household size and net household income. The income standards are tied to the poverty income level and adjusted periodically. Since February free meals have been provided to children from four-person households whose gross income was \$10,270 annually. Reduced-price meals have been provided to children from four-person households with gross incomes ranging from \$10,270 to \$15,490 annually.

The federal government pays 16.0 cents per meal in

cash—the basic rate—and the equivalent of 13.5 cents per meal in commodities or cash for every lunch served in participating schools. The federal government also grants an additional 83.5 cents for each free lunch served and 63.5 cents for each reduced-price lunch. These reimbursement rates are adjusted annually. Federal payments are made to the states who, in turn, must match the federal basic lunch rate with three times the amount from student payments, state revenues, or local revenues. States disburse the funds to local school authorities in the program.

Adjustments in the reimbursement rates and the expanded availability of free and reduced-price lunches resulting from higher income eligibility limits boosted the NSLP costs over the years. Federal cash subsidies for the NSLP were in excess of \$2 billion in fiscal 1980, up from \$200 million in fiscal 1969. Nearly 4.4 billion lunches were served—nearly half of which were free or reduced-price—to some 27 million children in 95,000 schools and institutions in fiscal 1980.

Commodity Distribution Programs (CDP) started as a means for providing food assistance to the needy while disposing of accumulated surplus stocks of farm commodities. The CDP, which operates under several pieces of legislation, donates food to needy families, schools, institutions, and designated groups such as Indian tribes. In fiscal 1980 the CDP cost \$1.1 billion, double its cost in 1975. Schools received most of the donated foods in fiscal 1980 and have accounted for about 90 percent of the CDP's costs since 1974. Food donations to needy families had constituted a substantial portion of the CDP until 1974 when the Food Stamp Program replaced the CDP in a number of states. In fiscal 1980 donated foods to needy families made up only 3 percent of the CDP's costs.

The Special Supplemental Food Program for Women, Infants and Children (WIC) provides benefits to individuals who have been determined by a local health professional to be a "nutritional risk" because of inadequate income and nutrition. Participants include pregnant women, nursing mothers, and infants and children up to five years old. Besides nutritional inade-

quacy, eligibility for WIC is also based on residence in designated project areas and household income. Currently, household income limits are set by the Secretary of Agriculture and must fall below 195 percent of poverty. Local health agencies, who administer the program, provide participants with vouchers redeemable for specified foods at certain retail food stores or with a food package that may be obtained at a nearby storage facility, retail store, or even delivered to the home. The WIC program cost \$780 million in fiscal 1980 and provided benefits to 1.9 million women, infants, and children. When the program started in fiscal 1974, there were 90,000 participants at a cost of \$11 million.

The Administration proposed several changes in these programs for fiscal 1982 with most directed toward the NSLP. A major proposal would eliminate the basic cash and commodity subsidies for meals served to children who do not receive free or reduced-price meals. If enacted, this reportedly would save about \$700 million

in federal expenditures. The Administration also recommended lowering the federal subsidy for reduced price meals from 113.5 cents to 64 cents for a savings of about \$100 million.

Under recent legislation meal reimbursement rates are now adjusted annually each July 1 rather than semi-annually. The Administration proposes to continue this modification to delay inflation increases in federal subsidies. For reduced-price lunches the Administration also recommended scaling back the income eligibility standard from 195 percent of poverty to 185 percent and eliminating the standard deduction. For free lunches the Administration's proposal would retain the current 125 percent of poverty income standard, but raise the standard deduction from \$80 to \$90 monthly. The Administration also seeks to reimpose a funding ceiling—\$725 million—on the WIC program. Legislation in 1980 removed the ceiling for fiscal 1982.

Jeffrey Miller

PER CAPITA CONSUMPTION OF FOOD, in the aggregate, has registered little change in the past two decades. USDA measures show that in terms of retail weight equivalent, per capita consumption of food rose only 33 pounds, or 2.3 percent, from 1960 to 1979. Although total food consumption increased very little, trends have differed among individual types of food. The rise in per capita consumption of meats slowed considerably in the 1970s. Consumption of fruits and vegetables, sugars and sweeteners, and fats and oils were on the upswing. In contrast, per capita consumption of eggs, dairy products, and potatoes trended lower.

Pinpointing shifts in consumer food preferences is difficult because production and consumption are closely intertwined. Food supplies are heavily influenced by the vagaries of weather and the cyclical nature of livestock production. As a result, changes in per capita consumption over short periods of time—in some cases, up to five years or more—may be more a reflection of temporary shifts in production rather than changes in consumer food preferences.

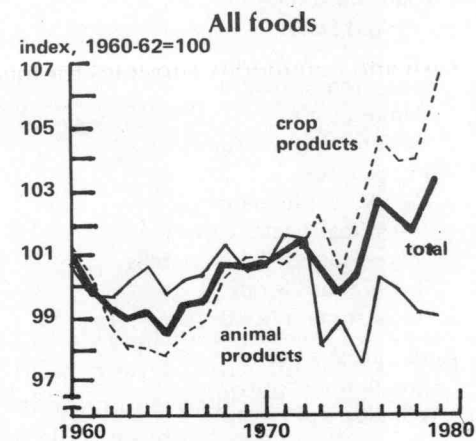
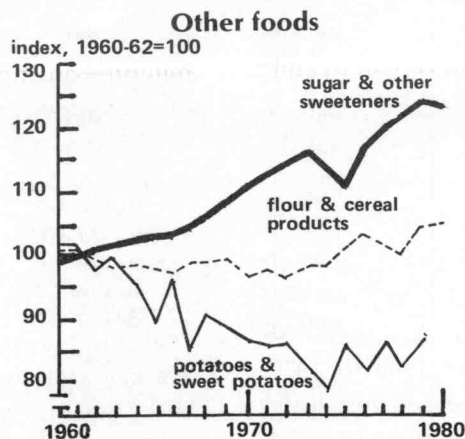
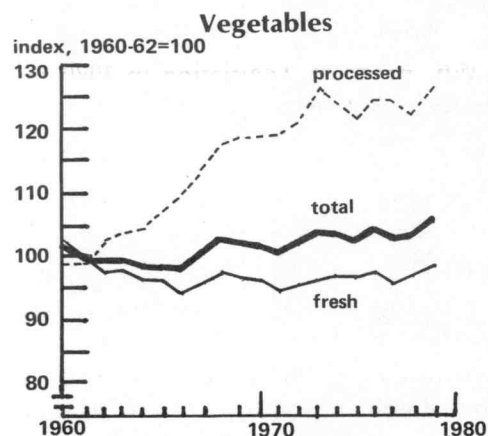
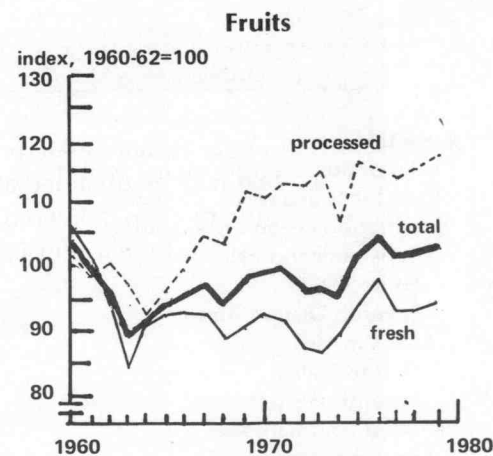
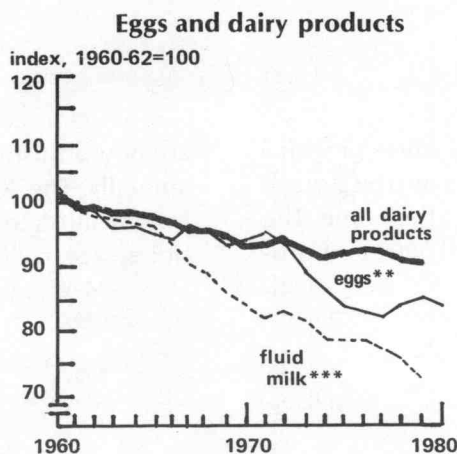
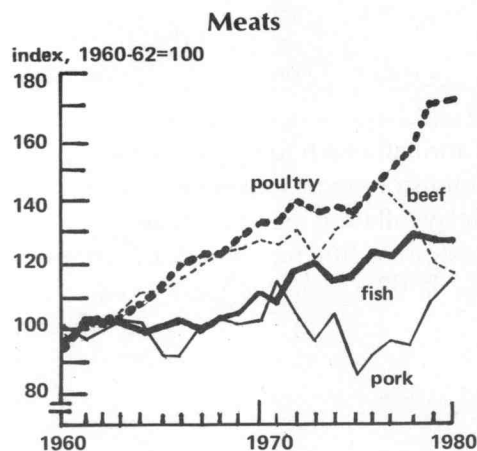
Per capita consumption of meats—including poultry and fish—rose 7 percent during the 1970s. While significant, the rise nevertheless was the slowest in at least four decades. In the 1940s per capita meat consumption rose nearly 8.5 percent. In the 1950s and 1960s, the rate of growth accelerated to 11.5 percent and 16.5 percent, respectively. For the fourth consecutive decade, poultry led the rise in per capita meat consumption. Over the past ten years, poultry consumption rose 30 percent. Although high, that was down from increases

that ranged from 37 to 45 percent in the preceding three decades. Per capita consumption of beef, following a cyclical downturn in production the past four years, registered a 5 percent decline for the decade. That marked a vast departure from the trends in the previous three decades when the rise in per capita beef consumption ranged from 16 percent in the 1940s to 32 percent in the 1960s. Following several years of relatively little change, per capita pork consumption registered a 9 percent rise during the 1970s; a gain facilitated by a sharp cyclical upswing in production in recent years. Per capita fish consumption was on a sharp upswing during the latter half of the 1970s, but remains a modest component in consumers' overall meat diet.

The mix in meat consumption has shifted considerably following the contrasting growth trends of the 1970s. Over the past two years, beef has accounted for about 35 percent of the 224 pounds of meat eaten annually per capita. Pork accounted for 30 percent, poultry 28 percent, fish 6 percent, and lamb and mutton and veal together accounted for 1 percent. A decade earlier per capita meat consumption totaled 209 pounds annually, with beef accounting for 40 percent, pork 29 percent, poultry 23 percent, fish 5 percent, and lamb and mutton and veal together accounting for 3 percent.

Per capita consumption of fruits and vegetables, which had trended lower with the decline in fresh produce in previous decades, turned upward in the 1970s. The downturn in consumption of fresh produce appears to have ended during the past decade, while the

Trends in per capita food consumption*



*Unless otherwise indicated, all measures are based on retail weight equivalent.

**Based on number of eggs at the farm level.

***Based on fluid milk equivalent.

uptrend in consumption of processed fruits and vegetables continued, but at a slower pace than in earlier decades. In 1979, the last year for which data are available, per capita consumption of fruit exceeded 139 pounds, including 81 pounds of fresh fruit. Vegetable consumption reached a 28-year high of 209 pounds per capita. Of this, 144 pounds was fresh vegetables, including an allowance for home garden vegetable consumption.

Per capita consumption of eggs and dairy products trended steadily downward in the 1970s. Per capita egg consumption peaked in the latter half of the 1940s at close to 400 eggs annually. Since then, consumption has dropped about 10 percent every decade, falling to 279 eggs in 1980. Consumption of fluid milk and cream has followed a similar pattern. Since peaking at close to 400 pounds per person (fluid milk equivalent) in the mid-1940s, per capita consumption of fluid milk and cream has trended steadily lower, falling 14 percent in the last decade to 231 pounds in 1979. This downturn has occurred despite a phenomenal growth that has seen

per capita consumption of low-fat fluid milk roughly double in each of the past two decades. In terms of retail product weight, low-fat milk now accounts for 37 percent of all fluid milk and cream consumption, up from an 8 percent share in 1960.

Per capita consumption of other major foods has shown mixed trends in recent decades. Consumption of potatoes and sweet potatoes edged lower in the 1970s, but at a much slower rate of decline than in the 1960s. Per capita consumption of flour and cereal products was fairly stable in the 1960s and early 1970s, but trended upward in recent years. Consumption of sugar and sweets and fats and oils rose significantly during the 1960s and the 1970s. The rise in consumption of sugar and sweets was fully accounted for by a rise in corn sweeteners. Per capita consumption of refined sugar declined a tenth during the 1970s. The rise in fats and oils consumption was fully accounted for by a shifting from animal fats to vegetable oils.

Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
Farm finance					
Total deposits at agricultural banks†	1972-73=100	June	232	- 0.2	+12
Total loans at agricultural banks†	1972-73=100	June	263	+ 0.8	+ 4
Production credit associations					
Loans outstanding					
United States	mil. dol.	May	21,639	+ 2.4	+ 9
Seventh District states	mil. dol.	May	4,421	+ 1.7	+ 8
Loans made					
United States	mil. dol.	May	2,803	-20.4	+ 8
Seventh District states	mil. dol.	May	606	-28.7	+10
Federal land banks					
Loans outstanding					
United States	mil. dol.	May	39,568	+ 1.9	+19
Seventh District states	mil. dol.	May	9,434	+ 2.0	+22
New money loaned					
United States	mil. dol.	May	869	- 6.5	+ 5
Seventh District states	mil. dol.	May	208	-15.2	- 2
Interest rates					
Feeder cattle loans††	percent	1st Quarter	16.94	+ 7.2	+11
Farm real estate loans††	percent	1st Quarter	15.56	+ 5.7	+ 7
Three-month Treasury bills	percent	6/18-6/24	14.67	-10.5	+106
Federal funds rate	percent	6/18-6/24	19.20	+ 2.6	+111
Government bonds (long-term)	percent	6/11-6/17	12.72	- 5.7	+33
Agricultural trade					
Agricultural exports	mil. dol.	April	3,751	-19.6	+ 8
Agricultural imports	mil. dol.	April	1,397	- 6.2	- 3
Farm machinery sales^P					
Farm tractors	units	May	8,724	-28.2	- 9
Combines	units	May	1,175	+27.7	+26
Balers	units	May	1,236	+119.5	+19

†Member banks in Seventh District having a large proportion of agricultural loans in towns of less than 15,000 population.

††Average of rates reported by District agricultural banks at beginning and end of quarter.

^PPreliminary.

AGRICULTURAL LETTER
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