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# DOMESTIC FOOD PROGRAMS: AN OVERVIEW

Kathryn Longen

U.S. Department of Agriculture  
Economics, Statistics, and Cooperatives Service  
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<b>16. Abstract (Limit 250 words)</b> Federal spending in nine major U.S. Department of Agriculture food assistance programs rose from \$1.06 billion in fiscal year 1969 to nearly \$10.6 billion in fiscal year 1979. This reflected the development of new programs, increased participation in existing programs, and higher benefit payments in response to rising food prices. Changing agricultural and economic conditions are among the causes that have shifted the form in which benefits are provided away from food distribution toward cash or voucher payments.				
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## PREFACE

Subsequent to production of this report, Congress passed legislation which made several major changes in the Food Stamp Program. The Food Stamp Act Amendments of 1980 raised the appropriations ceiling for fiscal year 1980 from \$6.19 billion to \$9.49 billion. The ceiling for fiscal year 1981 was increased from \$6.24 billion to \$9.74 billion. The original 1980 and 1981 ceilings, drafted under the Food Stamp Act of 1977, proved inadequate because of rising food costs, increasing unemployment, and a larger enrollment of very low income recipients after the 1977 program changes.

The new amendments also contain measures designed to curtail increases in program costs. The adjustments to the cost of the Thrifty Food Plan, for example, will be made on an annual rather than semiannual basis. Benefit levels established January 1, 1980, therefore, will remain in effect until December 31, 1980.

The adjustment of the standard and excess shelter costs and dependent care deductions have also been altered by the new legislation. The standard deduction will be updated annually in January rather than semiannually. The excess shelter expense deduction will be revised annually in January rather than July. Effective October 1, 1981, a separate deduction for dependent care will be established with a maximum of \$90 per month per household. This deduction will not be subject to any cost-of-living updates.

The annual adjustment which updates the poverty guidelines issued by the Office of Management and Budget (OMB) will no longer be made under the new amendments. The food stamp income eligibility limits, therefore, will be equal to the OMB poverty guidelines.

The financial resource limit for a household has been reduced from \$1,750 to \$1,500. The current resource limit of \$3,000 for households of two or more persons, in which one member is 60 years or older, is not affected. The amendments also exclude most students from participation in the program.

Elderly and handicapped participants will benefit under several new provisions of the Act. Effective October 1, 1981, the deduction for the medical costs of elderly and disabled persons will be expanded to include the expenses of their spouses. The threshold above which expenses are deductible will be lowered from \$35 to \$25. Furthermore, on the same date, eligibility for the medical deduction will be extended to blind persons and those receiving certain old age assistance payments in Puerto Rico, Guam, and the Virgin Islands. Vehicles necessary for the transportation of physically disabled household members will not be subject to the \$4,500 limit on vehicles mandated by the Food Stamp Act of 1977.

## CONTENTS

SUMMARY .....	iv
INTRODUCTION .....	1
THE FOOD STAMP PROGRAM .....	1
Current Food Stamp Legislation .....	2
Eligibility .....	3
Benefits .....	4
Participation .....	5
Federal Expenditures .....	6
Impact of the Food Stamp Act of 1977 .....	7
SUPPLEMENTAL FOOD PROGRAMS FOR WOMEN, INFANTS, AND CHILDREN .....	9
CHILD NUTRITION PROGRAMS .....	12
National School Lunch Program .....	13
School Breakfast Program .....	17
Special Milk Program .....	19
Child Care Food Program and Summer Food Service Program for Children .....	21
Food Service Equipment Assistance Program .....	23
COMMODITY DISTRIBUTION PROGRAMS .....	24
BIBLIOGRAPHY .....	28
APPENDIX TABLE .....	29



## SUMMARY

U.S. food assistance programs supplement incomes and provide nutritious foods to low-income and other target groups. The largest domestic food assistance project, the Food Stamp Program, served an average of 17.7 million people in fiscal year 1979; the average benefit per participant was \$30.51 per month. Average monthly benefits increased 42.5 percent since 1975, mostly in direct response to higher food prices.

Five child-feeding programs help provide food to day-care and school age children. The National School Lunch Program, the oldest and largest, received approximately \$2 billion from the Federal Government during fiscal year 1979. Fewer than half the lunches served were free or at a reduced price. The price paid for meals is determined by family income. Other child nutrition programs include the School Breakfast, Special Milk, Summer Food Service, and Child Care Food programs.

The greatest shift in domestic food programs was from direct commodity donations to the payment of benefits in cash and food stamps. About 86.5 percent of all domestic Federal commodity donations went to schools and other child nutrition programs in fiscal year 1979. Needy families received only 2.4 percent of all commodity donations, a turnabout from the early years of food assistance programs. The remainder went to charitable institutions and participants in the Child Care Food Program, Supplemental Food Program, and the Nutrition Program for the Elderly.

# **DOMESTIC FOOD PROGRAMS: AN OVERVIEW**

**Kathryn Longen  
Economist**

## **INTRODUCTION**

U.S. food and nutrition programs began with emergency distribution of surplus food during the thirties and grew into a number of food assistance programs aimed at improving the nutritional status of low-income people and school children and enhancing nutritional knowledge generally. This report reviews current food assistance programs, their target clientele, operational features, and size. It provides data on participation, benefit levels, and Federal expenditures for the programs, and highlights various aspects of the history of the USDA food assistance programs.

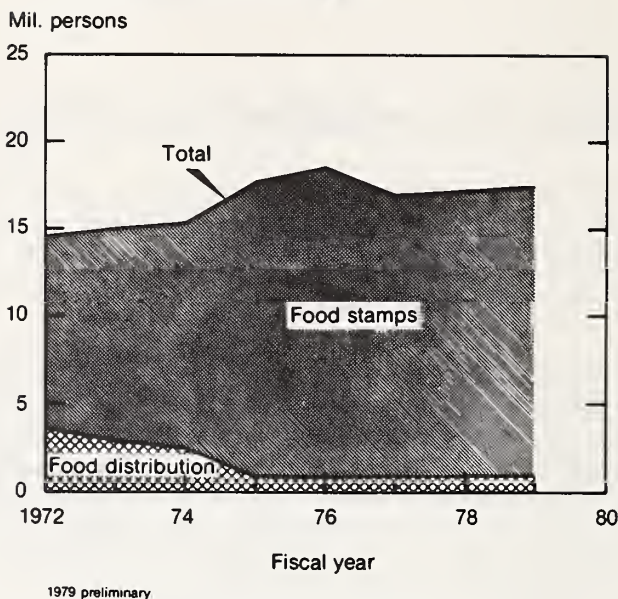
Changes in agricultural and economic conditions and in food and nutrition policies have led to numerous changes in USDA food programs. The following are examples of these changes.

1. Emphasis has shifted from diet supplementation in the form of donated commodities to providing balanced meals in many of the child nutrition programs.
2. Nutritional education is becoming increasingly important to the programs, as it is recognized that both the quantity and the types of foods consumed are important to health.
3. The Food Stamp Program (FSP) became the national approach to general food assistance in 1974, replacing direct distribution of foods to individuals with purchase vouchers or stamps (fig. 1).
4. National standards have replaced State and local regulations, guaranteeing uniform eligibility standards and benefits.

## **THE FOOD STAMP PROGRAM**

The Food Stamp Program is designed to help low-income households buy a more nutritious diet. Under the program, participants use stamps to buy food through regular market channels. The FSP, made part of permanent legislation by the Food Stamp Act of 1964, is the largest domestic food assistance program in terms of total program benefits.

*Figure 1*  
**Participants in the Family  
 Food Assistance Programs**



## Current Food Stamp Legislation

The present legal authority for the Food Stamp Program is Title XIII of the Food and Agricultural Act of 1977, known as the Food Stamp Act of 1977. The act provided the first major program revisions since 1973 and extended the program through fiscal year 1981. These changes were designed to increase program accessibility, reduce fraud, error, and abuse, eliminate higher income households from the program, and simplify administration of the program.

Perhaps the most significant reform action of the legislation was that participants are no longer required to pay for a portion of their food stamp allotments. Previously, the difference between the total value of the coupons received and the value of the purchase amount constituted a recipient's bonus. The size of the bonus was determined directly by the recipient's income. Households with higher incomes were required to buy a larger share of their allotted stamps. Families with a net monthly income of less than \$30 received all benefits free. Since the elimination of the purchase requirement in January 1979, households simply receive the value of the bonus coupons with no cash requirement.

Elimination of the purchase requirement enabled many of the very needy persons who could not make the initial cash purchase to participate in the

program. Households at the upper end of the eligibility range also benefited because they were no longer required to commit a large portion (up to 30 percent) of their income in order to receive stamps.

Increases in program participation resulting from elimination of the purchase requirement were partially offset by tighter eligibility criteria mandated by the 1977 legislation. Previously, two income standards were used, depending on the size of the participating household. The eligibility cutoff for participating households was the higher of the guidelines established by the Secretary of Agriculture for the child nutrition programs or the cost of a model economical food plan, multiplied by 3.3.

The food stamp income eligibility limits applied under the new program rules are based on the Federal poverty guidelines set by the Office of Management and Budget and adjusted annually to reflect changes in the Consumer Price Index (CPI). For the period July 1, 1979, through June 30, 1980, the net income limit for a four-person household was \$596 per month. In contrast, the limit under the old program guidelines for the same period would have been approximately \$690.

The Food Stamp Act of 1977 also eliminated automatic program eligibility for recipients of public assistance, general assistance, or Supplemental Security Income (SSI) benefits. In so doing, the act removed inequities associated with eligibility, since the incomes of some public assistance households exceeded that allowed under FSP guidelines for nonassistance households.

The Food Stamp Act of 1977 established expenditure ceilings for the program of \$5.85 billion in fiscal year 1978, \$6.16 billion in fiscal year 1979, \$6.19 billion in fiscal year 1980, and \$6.24 billion in fiscal year 1981.

Expenditures for the Food Stamp Program in fiscal year 1978 were less than the authorization ceiling. By fiscal year 1979, however, rapid increases in food prices and higher participation resulting from increases in unemployment and from program changes mandated by the 1977 Act caused the cost of the program to exceed the established ceiling. In order to avoid reducing or terminating benefits to recipients, Congress appropriated an additional \$620 million for the program in 1979.

Ceilings on the authorization for appropriations for fiscal years 1980 and 1981 will also fall short of program costs. As this report was published, Congress was considering the appropriation of additional program funds (see Preface).

## Eligibility

Eligibility for program participation is limited to households with a net monthly income at or below the food stamp income eligibility limit. Four types of deductions are made from a household's gross income in order to derive the net income figure. All households are entitled to a standard deduction from their total monthly income. The amount is currently

adjusted semiannually in accordance with changes in the CPI for items other than food.<sup>1</sup> For the period January-June 1980, the standard deduction was \$75. Households can also deduct an amount equal to 20 percent of total monthly earned income to compensate for taxes, FICA, union dues, and other work expenses.

Households may subtract expenses for actual dependent care costs, shelter costs which exceed 50 percent of the household's income after all other deductions, or a combination of both. Dependent care costs are the payments for care of dependent children or disabled adults necessary for a household member to work, actively look for a job, or receive training. Shelter costs include rent, mortgage payments, (including interest or other charges required for ownership), utility payments, property taxes, and the cost of insurance on a home. The amount of the deductions, individually or combined, may not exceed a maximum limit, set at \$90 for the period July 1, 1979-June 30, 1980. This limit is adjusted annually to reflect changes in the shelter and fuel and utilities components of the CPI.

Effective January 1, 1980, households containing a member who is 60 years of age or older, or who receives supplemental security income benefits under Title XVI of the Social Security Act or disability payments under Title II of the Social Security Act, are entitled to special medical and shelter expense deductions. Eligible households may subtract all shelter costs which exceed 50 percent of the income after all other deductions. Medical expenses incurred by the elderly or disabled which exceed \$35 per month may also be deducted. Medical expenses which are reimbursed by insurance or government programs are not deductible.

Households with financial resources exceeding \$1,750 are not eligible to participate in the Food Stamp Program. Two or more person households, in which one member is 60 years or older, have an asset limitation of \$3,000. Countable resources include cash and assets which can easily be converted to cash, such as savings accounts, stocks, and bonds. Buildings and land (except for family home and lot) and vehicles not used in connection with employment are also included. However, only the portion of the fair market value of a vehicle exceeding \$4,500 is considered a household resource.

## **Benefits**

A household's food stamp allotment is based on the cost of the Thrifty Food Plan (TFP), the household's size, and net monthly income. The TFP was developed by USDA's Agricultural Research Service (now part of the Science and Education Administration) during 1974-75; it replaced the Economy Food Plan in January 1976 as the basis for the coupon allotment.

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<sup>1</sup>A proposal made in early 1980 could convert adjustments to an annual basis.



The TFP outlines 15 broad categories of food. Foods within a group are similar to each other in nutritive value so that one food in a group may be substituted for another in any meal. The suggested quantities in the plan are designed to provide 105 percent or more of the recommended dietary allowances (RDA) of specified nutrients and energy, as established by the National Academy of Sciences-National Research Council (NAS-NRC).

The TFP is designed to serve as a basic guide for the selection of low-cost foods. Like other low-cost food plans, it includes less meat, poultry, and fish, and more dry beans and grain products than many families consume on the average. Strict adherence to the diet may also be difficult since many households may lack the skill or opportunity to select consistently the most economical foods within the food groups.

The cost of the TFP is adjusted for different household sizes. Separate adjustments in the cost of the TFP are made to reflect food costs in Alaska, Hawaii, Guam, Puerto Rico, and the Virgin Islands. The costs of the plan are currently revised every January 1 and July 1 to reflect changes in food prices.<sup>2</sup>

The maximum allotment any household may receive is equal to the cost of the TFP for the household's size. Food stamp benefits are equal to the cost of the TFP minus an amount equal to 30 percent of a household's net monthly income. All households of the same size and with the same net monthly income receive food stamps of equal value. Households with no monthly income receive a food stamp allotment equal to the full cost of the plan for their household size.

The maximum allotment for a four-person household, in the 48 contiguous States and the District of Columbia, for the period January 1980 to July 1980 was set at \$209 per month. A four-person family with a net income of \$400 per month would have received stamps valued at \$89.

Per capita benefits (bonus) under the FSP averaged \$30.51 per month in fiscal year 1979, an increase of 42.5 percent from 1975, primarily in response to a 37.9-percent increase in food prices (fig. 2).

## Participation

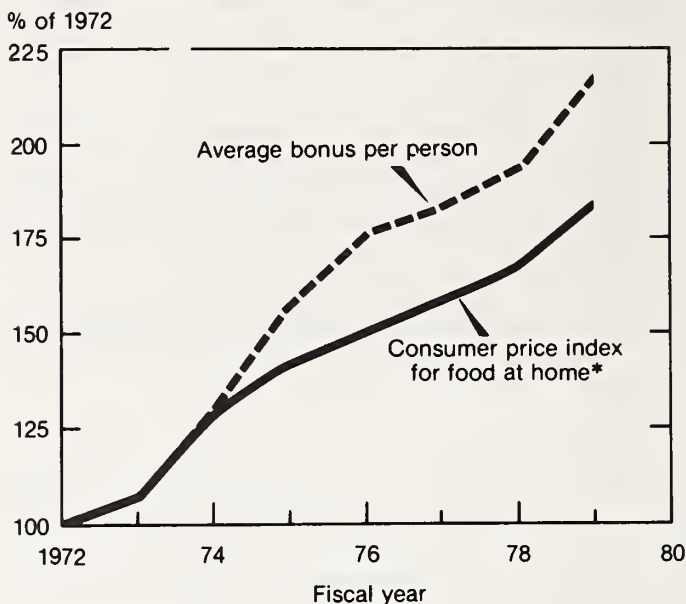
The Food Stamp Program began as a pilot operation in 1961. Three years later, the Food Stamp Act of 1964 made the program permanent and available to any county wishing to participate. Approximately 3 million persons were receiving benefits under the program by fiscal year 1969.

Amendments made in 1971 to the Food Stamp Act allowed for an increase in the value of stamp allotments and mandated that the purchase price of stamps not exceed 30 percent of a participant's income. These changes, along with uniform eligibility standards, served to increase participation to an average of 11.1 million persons by the end of fiscal year

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<sup>2</sup>A proposal made in March 1980 could convert adjustments to an annual basis.

*Figure 2*  
**Changes in Food Prices  
 and Food Stamp Bonus**



1979 preliminary. Based on July-June average.

\*1979 estimated.

1972. In 1973, amendments to the Act required all counties to offer the program by July 1974, thereby further increasing participation to 12.9 million in fiscal year 1974.

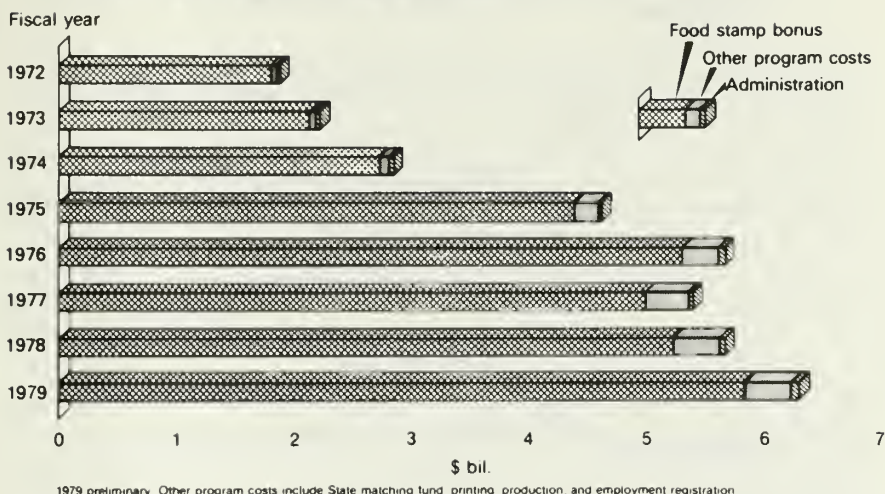
Fluctuations in participation over the years may be attributed largely to changes in economic conditions. During the 1974-75 recession, for example, continuing food price inflation combined with rising unemployment and declining personal incomes to increase the demand for food stamp assistance. Participation in the program rose to a peak of 19.3 million in May 1975. The number of food stamp recipients declined as the rate of unemployment began to fall in the fourth quarter of 1976, dropping to 15.3 million by September 1978. An average of 17.7 million persons participated in the Food Stamp Program in fiscal year 1979.

## Federal Expenditures

Increases in participation and rising food prices meant continued increases in Federal expenditures for the FSP (fig. 3). Expenditures amounted to over \$4.4 billion in fiscal year 1975, increased to \$5.1 billion in 1977, and reached \$6.5 billion in 1979.

Figure 3

### USDA Cost of the Food Stamp Program



FSP spending in fiscal years 1978 and 1979 represented 59.5 and 61.3 percent, respectively, of total Federal expenditures for all food assistance programs. This was a drop from the 65 to 68 percent claimed in previous years. Purchases with bonus food stamps accounted for 3.2 percent of total food-at-home expenditures in 1979, 0.2 percent more than the previous year (fig. 4).

### Impact of the Food Stamp Act of 1977

The provisions of the Food Stamp Act of 1977 resulted in a net increase of 2.9 million program participants between November 1978 and May 1979. Elimination of the purchase requirement added 3.4 to 3.6 million persons to the program, while tighter eligibility requirements removed 500,000 to 700,000 others.

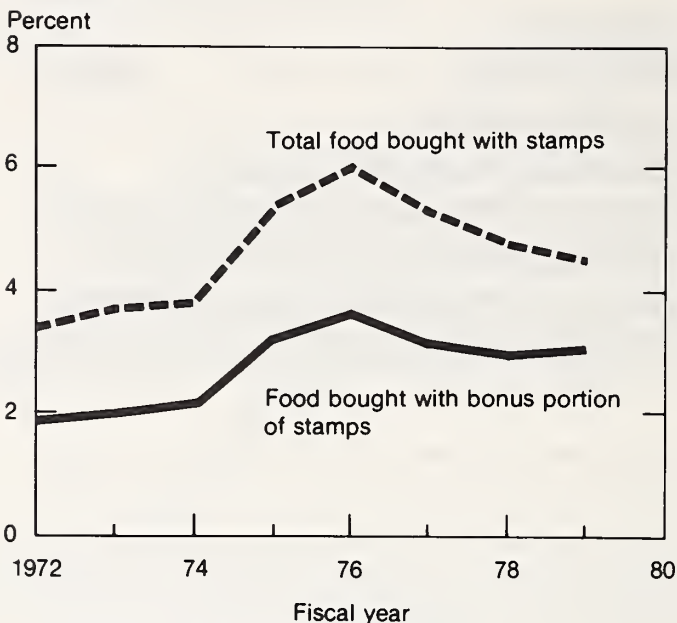
The elimination of the purchase requirement had a particularly strong impact on participation in predominantly rural areas. Participation in project areas with 5,000 or fewer participants (generally categorized as rural) increased by 1.3 million, or 42 percent, between November 1978 and May 1979. Participation in urban project areas with more than 50,000 participants increased by 569,000, or only 7.7 percent.

Participation among elderly persons also rose significantly following the elimination of the purchase requirement. Preliminary data indicate that the number of households headed by an elderly person (65 and over) in the 50 States and District of Columbia increased approximately 32 percent from February 1978 to April 1979. Participation by nonelderly households increased by only 14 percent over the same period of time.



Figure 4

## U.S. Food at Home Bought with Food Stamps



Percent of total expenditures for food at home. 1979 preliminary.

The largest increase in food stamp participation was among Indians, up 75 percent between November 1978 and May 1979.

FSP participation rose to an average of 18.4 million people for the first quarter of 1979; this was an increase of over 15 percent from the preceding quarter, and a 9-percent rise from the same period a year earlier. The largest share of this increase may be attributed to elimination of the purchase requirement.

The total cost of the FSP for fiscal year 1979 is currently estimated at \$6.9 billion. This is approximately \$1.2 billion more than the estimate of fiscal year 1979 program costs prepared in September 1977. Increases in participation resulting from the elimination of the purchase requirement raised costs by almost \$400 million. Participation changes due to other factors added another \$40 million. The largest share of the difference, about \$800 million, may be attributed to increases in food prices.

## **SUPPLEMENTAL FOOD PROGRAMS FOR WOMEN, INFANTS, AND CHILDREN**

USDA initiated the Commodity Supplemental Food Program in 1968, the first in a series of programs aimed at providing eligible persons with nutritious foods. Under USDA auspices, local and State health clinics in project areas issue food prescriptions that enable participants to receive commodities. Eligibility extends to infants, children to age six, women during pregnancy and up to 6 weeks postpartum, and breast-feeding women up to 1 year postpartum in low-income families. The average per person benefits under the Commodity Supplemental Food Program ranged from \$6.11 per month in fiscal year 1969 to \$14.58 in fiscal year 1979 (table 1). An average of 99,000 persons were served in the program in fiscal year 1979.

USDA launched the experimental Food Certificate Program in 1970. It was very similar to its predecessor, although it reached women in only Illinois, Georgia, Texas, Washington, and Vermont. Each eligible woman received certificates valued at \$5 per month during pregnancy and for 1 year after delivery, and an additional \$10 per month in certificates for each child under a year old. These certificates enabled participants to purchase such foods as milk, baby cereal, and nonfortified infant formulas at authorized local stores. The average per person value of the certificates showed little variation during the program's operation, ranging from \$7.24 per month in fiscal year 1970 to \$7.36 per month at the termination of the program in June 1976 (table 1).

Congress in 1972 created the Special Supplemental Food Program for Women, Infants, and Children (WIC) as Section 17 of the Child Nutrition Act of 1966. Under the Act, Federal funds are allocated to State health or comparable agencies which distribute funds to the participating local agencies. The latter offices provide program benefits to those people determined by local health professionals to be at nutritional risk due to inadequate income and nutrition. Categories of eligibility include pregnant women, postpartum mothers (up to 6 months), breast-feeding mothers (up to 12 months), and infants and children up to 5 years old.

Local WIC agencies provide participants either with vouchers redeemable for specified foods at participating retail food stores or with a food package prepared according to Federal guidelines. The package may be obtained at a nearby storage facility, at a retail store, or may be delivered directly to the participant's home.

The designated foods reflect the individual nutritional needs of participants and the age of a child. A typical package for an infant may contain iron-fortified formula, cereal that is high in iron, and fruit juice, while women and older children would receive fortified milk and/or cheese, eggs, hot or cold cereal that is high in iron, and fruit or vegetable juice.

Participation in the program has increased dramatically since the first WIC projects opened in January 1974 (table 2). An average of almost

Table 1--Average monthly benefits per person, in  
Food Certificate and supplemental food  
programs

Fiscal year	Commodity Supplemental Food	Food Certificate	Special Supplemental Food (WIC)
		<u>Dollars</u>	
1969	6.11	--	--
1970	6.93	--	--
1971	5.84	7.24	--
1972	6.23	7.25	--
1973	7.02	7.24	--
1974	8.64	7.21	15.68
1975	10.93	7.21	18.58
1976	10.91	7.36	19.60
1977	11.56	--	20.80
1978	14.47	--	22.42
1979	14.58	--	24.34

-- = Program not in operation.

Table 2--Participation and expenditures, WIC Program

Fiscal year	Average participation			
	Women	Infants	Children	Total <sup>1/</sup>
	<u>Thousands</u>			
1974 <sup>2/</sup>	17	26	44	88
1975	55	103	186	344
1976	81	148	291	520
1977	165	213	471	848
1978	240	308	633	1180
1979 <sup>3/</sup>	311	390	780	1480
Fiscal year	Expenditures			
	Food Cost	Program Cost	Total	Average per participant
	<u>---Thousand dollars---</u>			<u>Dollars</u>
1974 <sup>2/</sup>	8246	2158	10404	15.68
1975	76706	12551	89257	18.53
1976	122332	20308	142640	19.60
1977	211718	44181	255899	20.80
1978	316367	69292	385659	22.42
1979 <sup>3/</sup>	431676	99190	530866	24.34

<sup>1/</sup> May not add due to rounding.<sup>2/</sup> Program began in January 1974.<sup>3/</sup> Preliminary.

87,700 women, infants, and children participated in fiscal year 1974, compared with an average of almost 1.5 million in fiscal year 1979.

A total of 74 State and Indian agencies administered WIC benefits to an average of 311,209 women, 389,557 infants, and 779,675 children in fiscal year 1979. Those participants received foods valued at almost \$432 million for an average monthly benefit of \$24.34 per person, while monthly benefits in 1974 were \$15.68 per person. Federal expenditures for administrative and clinic costs increased from \$2 million in 1974 to \$99 million in 1979. The increased total Federal expenditures largely represent efforts to expand the program rather than to increase benefits to participants.

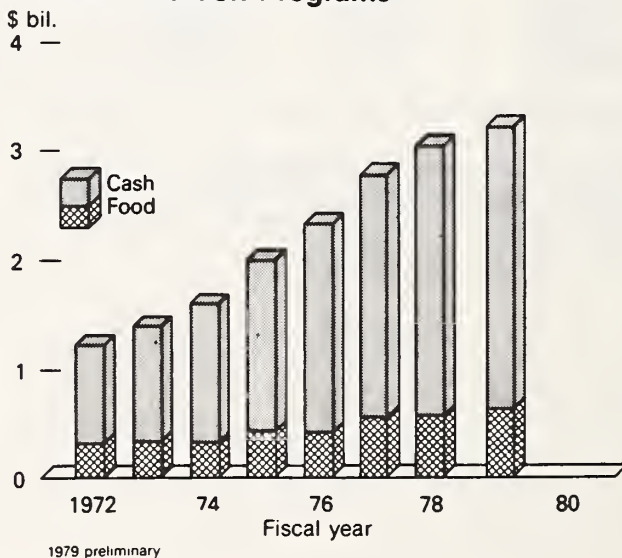
## CHILD NUTRITION PROGRAMS

Federal cash expenditures for the child nutrition programs rose from more than \$312 million in 1969 to more than \$2.7 billion in fiscal year 1979, an increase of over 750 percent (fig. 5). The increase resulted from several factors: uniform national eligibility guidelines, expanded eligibility for free and reduced-price meals, and the mandatory service of reduced-price meals. Higher food service costs have resulted in higher per meal Federal reimbursements.

Federal cash expenditures for USDA child-feeding programs in fiscal year 1979 equaled 1 percent of total U.S. food expenditures, or approximately 4 percent of total away-from-home expenditures.

*Figure 5*

### USDA Contributions to the Child Nutrition Programs



USDA currently operates five child-feeding programs aimed at providing day-care and school age children with balanced meals. Nonfood assistance is also provided in order to help schools establish child nutrition programs.

## **National School Lunch Program**

The oldest and largest of the child-feeding programs is the National School Lunch Program. Permanently authorized by the National School Lunch Act of 1946, the program was created "to safeguard the health and well-being of the Nation's children, and to encourage the domestic consumption of nutritious agricultural commodities and other food."

All public and nonprofit private schools of high school grade and under, as well as public and private licensed nonprofit residential child-care institutions, may participate in the National School Lunch Program. Under the program, States receive a basic amount of financial assistance for each lunch served, additional reimbursement for each free and reduced-price lunch served, USDA commodities or cash equivalents, and technical guidance in establishing and maintaining programs.

Schools must serve lunches designed to meet approximately one-third of the National Research Council's recommended daily dietary allowances for children of 10 to 12 years of age in order to receive aid. The pattern, originally known as a Type A lunch, may be adjusted to meet the requirements of children of different ages and the special dietary needs of individual students. The minimum requirements for the meal pattern include:

1. 1/2 pint or 1 cup of fluid milk,
2. 2 ounces of lean meat, poultry, fish or cheese, or 1/2 cup cooked dry beans, or 4 tablespoons peanut butter,
3. 3/4 cup of two or more vegetables or fruit or both, and,
4. One slice of whole grain enriched bread, or biscuit, cornbread, muffin, or tortilla.

### **Eligibility**

All children are eligible to participate in the National School Lunch Program. The Secretary of Agriculture, however, establishes income poverty guidelines according to household size to be used by States as a basis for determining whether a child receives a free, reduced-price, or full-price meal. These guidelines are adjusted annually according to changes in the Consumer Price Index. Income eligibility criteria for free meals developed by the States must be set at a level equal to 125 percent of the guidelines established by the Secretary. Eligibility for reduced-price meals is established at up to 195 percent of the income poverty guidelines.

Children from a family of four earning a gross income of up to \$8,940 per year were eligible to receive free meals for the 1979-80 school year. Children from a family of four with an annual gross income of \$13,940 qualified for reduced-price meals. Income poverty guidelines are set at somewhat



higher levels in Alaska, Hawaii, and Guam. For example, an Alaskan family of four may have earned up to \$17,430 annually to qualify for reduced-price meals.

Regulations provide for deductions from family income in the event of a special hardship that could not have been reasonably anticipated or controlled. The money a family spends because of unusually high medical costs, shelter costs in excess of 30 percent of income, special educational expenses due to mental or physical conditions of a child, or disaster or casualty losses may be subtracted from total income. Children from families whose incomes fall within the established income poverty guidelines after the deductions may then receive free and reduced-price meals. Temporary approval for free and reduced-priced benefits may also be granted in the event a family suffers a temporary loss of income.

## **Federal Payments**

States are reimbursed on the basis of the number of meals served in that State. A basic rate of 17.75 cents was given for each lunch served from January 1, 1980, through June 30, 1980. An additional 79.5 cents was reimbursed for each free lunch. Reimbursement for reduced-price lunches is established at 10 to 20 cents less than the free-lunch rate, depending on the State-established price charged to the student. States also received 15.75 cents in commodities or the cash equivalent for each meal served. Rates of reimbursement, referred to as the USDA national payment factors, are adjusted semiannually in line with changes in the Consumer Price Index for food away from home for all urban consumers. The annual adjustment in the per meal value of assistance for the National School Lunch Program was based on changes in the Wholesale Price Index for food used in schools and institutions beginning with the 1979-80 school year. Prior to that time, adjustments were based on changes in the CPI for food away from home.

Federal cash payments amounted to more than \$2 billion in fiscal year 1979, and over \$678 million in commodities were distributed to schools. USDA is authorized to substitute cash for commodities in the event that the value of shipments falls below 15.75 cents per lunch; during fiscal year 1979, \$6.2 million in cash was donated to schools in lieu of commodities. National School Lunch Program cash payments accounted for approximately 75 percent of total spending for the child nutrition programs.<sup>3</sup>

The National School Lunch Act of 1946 further requires that non-Federal funds must be supplied according to a two-part matching formula. The first requirement pertains only to the basic per lunch rate of 17.75 cents. These funds must be matched by three non-Federal dollars for every Federal dollar provided. Matching funds may be obtained from three sources: student

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<sup>3</sup>National School Lunch, School Breakfast, Special Milk, Child Care Food, and Summer Food Service programs and nonfood assistance payments.

payments for meals, State revenues, or local community revenues. The required amount of matching funds declines when State income is below the average per capita income of the United States. The decrease is equal to the percentage of the difference.

The second part of the formula applies specifically to appropriated, or other available, State funds. Revenue from this source must be supplied at a rate of 30 cents for every dollar of total per meal (that is, free, reduced price, and paid meals) Federal payments. Funds donated under this section, however, may be applied toward the 3-to-1 requirement.

Federal payments amounted to 25.6 percent of total school lunch contributions in fiscal year 1970. State and local payments accounted for 24.6 percent, while student payments made up the remaining 49.8 percent. An estimate for fiscal year 1978 indicates that Federal payments increased to 51.2 percent of the total, while children's payments accounted for only 27.3 percent. State and local contributions stayed relatively constant at approximately 22 percent (table 3 and fig. 6).

Participation

Nearly 4.4 billion lunches were served during fiscal year 1979; more than 1.6 billion were free lunches, and nearly 270 million were reduced-price lunches. Free lunches represented about 37.5 percent of total lunches, while

Figure 6  
Who Pays for the School Lunches?

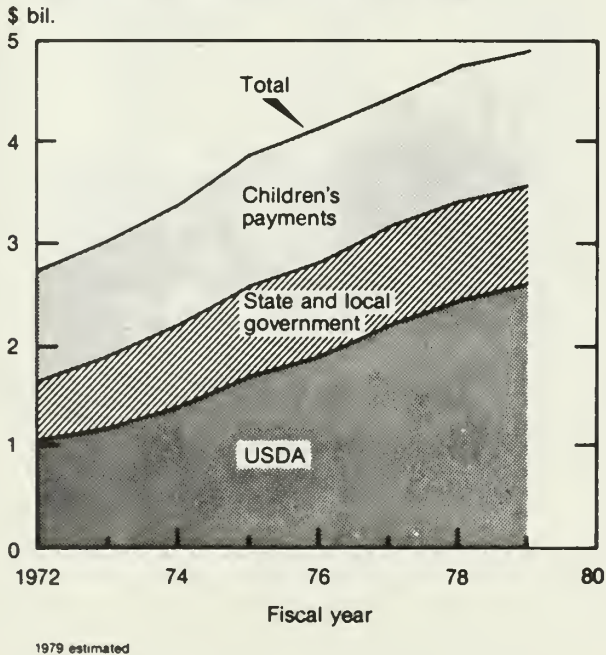




Table 3--Cost per lunch, National School Lunch Program

Fiscal year	Contributions			
	Federal	State and local	Children's payments	Total
	<u>Cents</u>			
1960	10.5	10.3	25.9	46.7
1965	13.9	10.1	27.6	51.6
1970	15.9	15.3	31.0	62.2
1971	21.0	15.4	28.3	64.7
1972	26.2	15.1	27.2	68.5
1973	30.2	17.3	28.0	75.5
1974	35.2	20.0	29.5	84.7
1975	42.0	20.9	32.2	95.1
1976	45.1	22.4	31.6	99.1
1977	50.8	23.5	31.9	106.2
1978	55.4	23.3	29.6	108.3
	<u>Percent 1/</u>			
1960	22.5	22.1	55.5	100.0
1965	26.9	19.6	53.5	100.0
1970	25.6	24.6	49.8	100.0
1971	32.5	23.8	43.7	100.0
1972	38.2	22.0	39.7	100.0
1973	40.0	22.9	37.1	100.0
1974	41.6	23.6	34.8	100.0
1975	44.2	22.0	33.9	100.0
1976	45.5	22.6	31.9	100.0
1977	47.8	22.1	30.0	100.0
1978	51.2	21.5	27.3	100.0

1/ Totals may not add due to rounding.

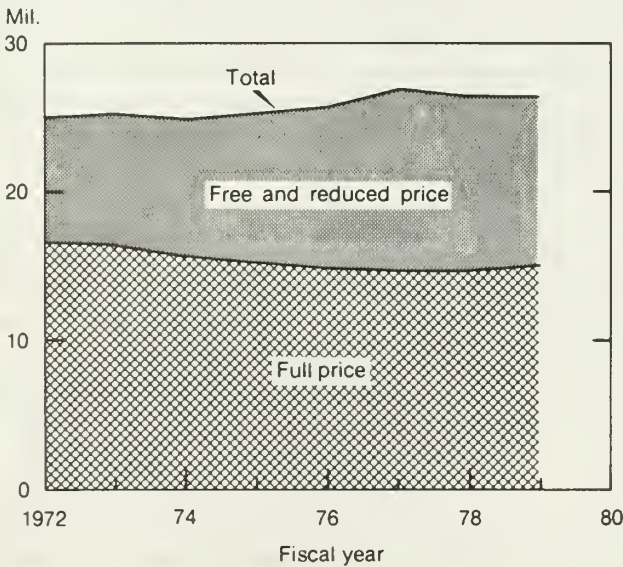
reduced-price lunches represented 6.1 percent. In recent years, the number of free and reduced-price lunches has shown a slight decline as a share of the total meals served. Since 1977, free and reduced-price meals have declined from 44.9 percent of total meals served to 43.6 percent. During March 1979, 94,535 schools served lunch to an average of 27.3 million children per day; approximately 10 million of these children received free lunches and 1.7 million received reduced-price lunches (fig. 7).

### School Breakfast Program

The Child Nutrition Act of 1966 created the School Breakfast Program as a 2-year pilot program. Permanently authorized in October 1975, the program was initially aimed at schools serving large numbers of needy children and children who traveled long distances to school. The School Breakfast Program is now available to all schools, high school level and below, as well as residential child-care institutions.

Schools must agree to serve nourishing breakfasts according to USDA meal patterns in order to participate in the breakfast program. The pattern includes a fruit or vegetable (or fruit or vegetable juice), milk, bread or cereal, and a meat or meat alternate to be served as often as possible.

*Figure 7*  
**Number of Children in National School Lunch Program**



1979 preliminary

Many schools offer both the School Breakfast and National School Lunch programs. They can be operated efficiently together since both programs are administered in the same manner.

### **Federal Payments**

As in the National School Lunch Program, meals under the School Breakfast Program are offered for free or at full or reduced price. From January 1, 1980, through June 30, 1980, average payment factors for the School Breakfast Program were 14 cents for each breakfast served, with an additional 26.5 cents for each reduced-price breakfast and an additional 35.35 cents for each free breakfast. These rates are adjusted semiannually in accordance with changes in the CPI for food away from home for all urban consumers.

The 1975 amendments to the Child Nutrition Act state that Congress intends the School Breakfast Program to "be made available in all schools where it is needed to provide adequate nutrition for children in attendance." In an effort to further this goal, provisions have been made for schools defined as being in severe need. A school may apply for additional reimbursement if it meets the basic eligibility criteria for severe need and cannot afford to serve free and reduced-price breakfasts with the allowable reimbursements.

The maximum reimbursement rate for free breakfasts in especially needy schools is set at 10 cents above the national average payment for each free breakfast under the 1977 amendments of the Child Nutrition Act. However, the reimbursement may be changed to 45 cents plus a semiannual adjustment based on the CPI for food away from home if this amount should exceed the standard reimbursement plus 10 cents. The reimbursement for reduced-price breakfasts would be 5 cents less in either case. The maximum rate of reimbursement for breakfasts in especially needy schools and institutions was established at 54.5 cents for reduced-price breakfasts and 59.5 cents for free breakfasts for January 1, 1980, through June 30, 1980. The Secretary of Agriculture is authorized in cases of severe need to pay the lesser of 100 percent of the breakfast program's operating costs or the rates described above.

States are required to establish eligibility standards for defining especially needy schools. USDA has suggested a guideline for the 1979-80 school year: if 40 percent or more of the lunches served in a school during the previous school year were free or reduced-price meals, then the school would be eligible for the especially needy reimbursement.

Federal cash payments for the School Breakfast Program amounted to \$224.1 million in fiscal year 1979.

### **Participation**

A total of 553.1 million school breakfasts were served during fiscal year 1979; of these 78.2 percent, or 423.5 million, were free breakfasts. Free lunches, on the other hand, represented only 37.5 percent of total lunches.

About 32.1 million breakfasts were served at a reduced price, or 5.8 percent of all breakfasts, while 6.1 percent of total lunches were reduced-price meals.

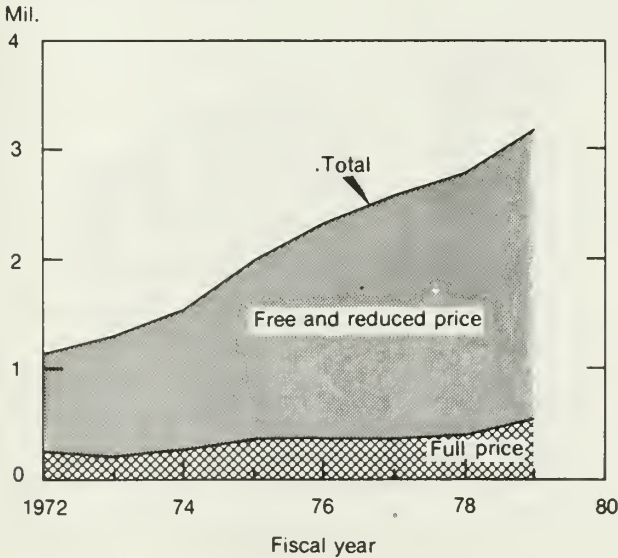
During the peak month of March in 1979, 30,971 schools participated in the School Breakfast Program, which was slightly more than one-third of the schools in the National School Lunch Program. An average of 3.2 million children participated each month during fiscal year 1979. An average of 2.5 million children received free breakfasts, while 195,736 were reduced-price participants (fig. 8).

### Special Milk Program

The Special Milk Program was established in 1954. It was initiated to increase the consumption of fluid milk by children, and was originally funded through the Commodity Credit Corporation. The program has been funded as a USDA child-feeding program since fiscal year 1962.

Schools may participate in the program whether or not they also offer the National School Lunch, School Breakfast, Child Care Food, or Summer Food Service programs. The Special Milk Program encourages milk consumption by children by reimbursing participating schools and institutions for part of the cost of all milk served to children. Milk served under the other Federal child nutrition programs is not reimbursable under the Spe-

*Figure 8*  
**Number of Children in the School Breakfast Program**



1979 preliminary

cial Milk Program, since it is already reimbursed as part of the meal.

## Eligibility

Program legislation extends to school food authorities the option to offer free milk to children who qualify for free meals under the National School Lunch and School Breakfast programs. All other children pay for milk at reduced prices.

## Federal Payments

Participating schools, nonprofit child-care centers, settlement houses, summer camps, and nursery schools were reimbursed 7.75 cents for each half pint of milk served to paying children during the period July 1, 1979, through June 30, 1980. USDA reimburses schools for the full cost (or the average cost, if purchased at more than one price) of milk served to low-income children.

Federal payments for the Special Milk Program amounted to over \$141 million during fiscal year 1979.

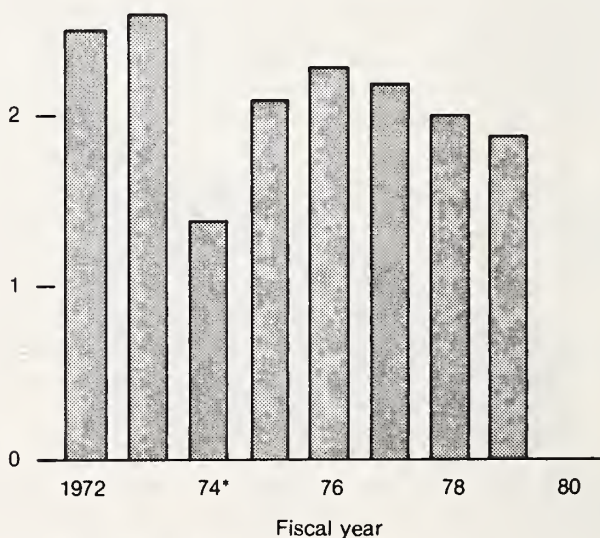
## Participation

Over 1.8 billion half pints of milk were served during fiscal year 1979, of which 98 percent were served in schools (fig. 9). Child-care institutions and

*Figure 9*

### Milk Served in Special Milk Program

Bil. half pints  
3 —



\*Program temporarily discontinued 1979 preliminary



summer camps accounted for 10.7 million and 26.6 million half pints of milk, respectively.

During March 1979, peak month for the program, 85,324 schools and 1,021 child-care institutions participated in the Special Milk Program. In July 1979, 3,800 summer camps supplied program benefits.

## **Child Care Food Program and Summer Food Service Program for Children**

The Special Food Service Program began in 1968 as a 3-year pilot program under the National School Lunch Act. Designed to serve especially needy children, the pilot program provided assistance to nonresidential child-care centers serving children from low-income areas or from areas with significant numbers of working mothers. Both child-care and summer-feeding institutions were eligible to participate in the program. In October 1975, Congress provided the two components with separate legislative authorization. The resulting Child Care Food Program and Summer Food Service Program for Children have become a permanent part of the USDA's system of nutrition programs for children.

### **Child Care Food Program**

The Child Care Food Program expands the original objective of the Special Food Service Program by extending eligibility to all nonprofit day-care centers which serve non-needy as well as needy areas. It also opened participation to family and group day-care homes which may participate under the auspices of a qualified sponsoring organization.

Participating centers and homes receive cash reimbursements based on the number of breakfasts, lunches, suppers, and snacks served. USDA-donated foods or cash equivalents are distributed through the States and made available to participating institutions. Nonfood aid is also provided through equipment assistance and technical guidance.

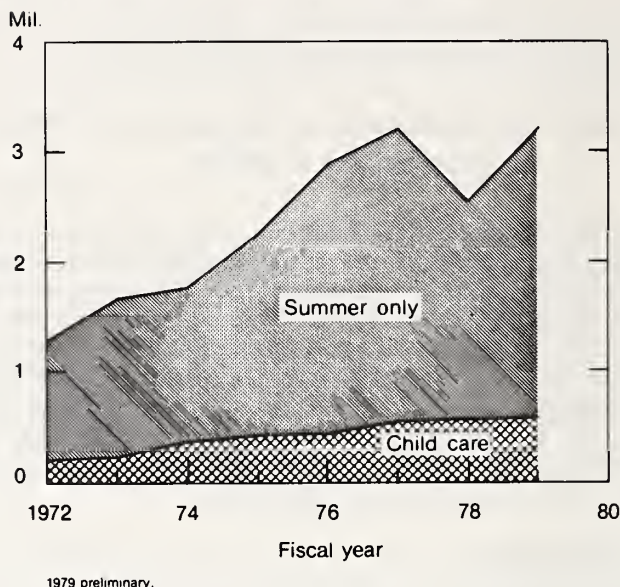
Meal service is available to all children attending child-care centers and day-care homes participating in the program. Over 376 million meals were served during fiscal year 1979. Of those, 303 million were free or reduced-price meals. The program was operating in 28,686 outlets in March 1979 with an average daily attendance of 641,962 children (fig. 10).

The 1975 amendments to the National School Lunch Act established the reimbursement rate and the commodity donation rates for participating day-care centers at the same level as those in the National School Lunch and School Breakfast programs. They also established a rate for supplements currently set at 7.25 cents for paid meals, 22 cents for reduced-price meals, and 29 cents for free meals for the 6-month period January 1, to June 30, 1980.

Reimbursement rates in Alaska are set at higher amounts. Day-care centers were reimbursed 157.25 cents for each free meal, 137.25 cents for

Figure 10

### Number of Children in the Child Care and Summer Food Service Programs



each reduced-price meal and 28.5 cents for each paid lunch or supper served. Payments for breakfasts were 80 cents, 65.75 cents, and 22.75 cents for each free, reduced-price, and paid meal, respectively. The rates for supplements similarly were 47 cents, 35.75 cents, and 12 cents.

Family and group day-care homes are also reimbursed at different levels. A rate of 55.75 cents per lunch was paid for all lunches served. The rates for breakfasts and supplements were 31.25 and 19 cents, respectively. The corresponding rates for Alaska were 90.25, 50.75, and 30.75 cents. All program reimbursement rates are adjusted semiannually.

Federal expenditures for the Child Care Food Program totaled \$165.9 million in fiscal year 1979. Approximately \$160.5 million was paid in cash and commodity assistance for meals served. The remaining \$5.5 million provided for the purchase of food service equipment.

### Summer Food Service Program

The Summer Food Service Program provides meal service to children from areas where poor economic conditions exist. Sponsors must qualify by operating programs in areas where at least one-third of the children would qualify for free or reduced-price meals under the National School Lunch and School Breakfast programs, or they must provide meals as part of an organized program for children enrolled in camps. Eligible camps receive reimbursements only for meals served to children eligible for free and

reduced-price meals under the 1977 amendments to the National School Lunch Act.

Meals served under the program are free of charge to attending children, except in camps that charge for meals served to non-needy participants. Institutions are reimbursed for the full operating costs of the food service up to specific maximum rates for meals. Per meal reimbursement rates are higher under this program. During the 1980 program, sponsors were reimbursed up to 63.25 cents for each breakfast, 113.5 cents for lunches and suppers, and 29.25 cents for midmorning and midafternoon snacks. Rates of reimbursement for administrative expenses of the sponsor were 9 cents for lunches and suppers, 4.75 cents for breakfasts, and 2.25 cents for supplements (snacks). Rural sponsors and those preparing food on-site received somewhat higher rates of 10.75, 5.75, and 3 cents, respectively.

The Federal Government contributed \$115.4 million to the Summer Food Service Program for Children in fiscal year 1979, providing more than 127 million meals. The number of meals served in the program has declined 23.2 percent since fiscal year 1977. This may be attributed to stricter regulations designed to reduce fraud and abuse.

## **Food Service Equipment Assistance Program**

Schools in many rural and low-income areas may lack the funds and equipment to establish and maintain food service programs. In an effort to ensure that all children have the opportunity to receive nutritious meals, the National School Lunch and Child Nutrition Acts allow for assistance other than food.

The Child Nutrition Act of 1966 created the Nonfood Assistance Program which provides funds to supply schools drawing attendance from areas in which poor economic conditions exist with equipment other than land or buildings to store, prepare, transport, and serve food and therefore enable such schools to establish, maintain, and expand school food service programs. Schools approved for such equipment assistance must participate in either the National School Lunch or School Breakfast programs, or both.

The name of the Nonfood Assistance Program was changed to the Food Service Equipment Assistance Program in the 1977 amendments to the Child Nutrition Act.

### **Eligibility**

The Nonfood Assistance Program called for 50 percent of the authorized funds to be apportioned to schools without previous food service through fiscal year 1975. Currently, a third of the program funds are so designated. Furthermore, eligibility for these appropriations has been extended to those schools without the facilities to prepare or receive hot meals and to schools for the purpose of expanding existing breakfast programs. This percentage is allocated among States based on enrollment in eligible schools. The



remaining two-thirds is allocated based on the number of lunches served in each State. Funds remaining at the end of the year are to be distributed among the remaining States for food service equipment assistance programs if any State cannot use all the funds apportioned to it.

Schools are reimbursed for up to 75 percent of total food service equipment costs. State and local sources are required to bear 25 percent of the cost of equipment purchases, except in schools designated as especially needy by the State. Those schools may receive up to 100-percent funding.

Under the National School Lunch Act, up to \$25 million annually is available to the Secretary of Agriculture to provide food service equipment assistance for the School Lunch Program. The appropriation for the Food Service Equipment Program was \$24 million in fiscal year 1979 and \$20 million in fiscal year 1980.

## COMMODITY DISTRIBUTION PROGRAMS

The USDA commodity distribution programs have their foundation in legislation enacted to help stabilize farm prices. As originally designed, the legislation provided for the Federal purchase of excess agricultural commodities in order to help support farm income. The resulting accumulation of food stocks, however, necessitated finding a means to dispose of these products. Thus, in 1935, the commodity distribution programs began operating under the dual objectives of price support and food assistance for needy persons.

Three major pieces of legislation provide the basis for the commodity distribution programs as they exist today. The first, Section 32 of the Agricultural Act of 1935, was designed to help stabilize farm prices by removing temporary market surpluses of perishable foods. The act allows for the exportation of farm commodities, production payments to farmers, programs to find new uses for agricultural commodities, and domestic distribution of commodities to needy persons. Roughly 85 percent of Section 32 funds were spent on the purchase and domestic donation of agricultural commodities between 1936 and 1976. Export programs accounted for approximately 7 percent of Section 32 expenditures. The remaining programs in Section 32 have seldom been used, and most have been inactive in recent years.

Section 32 is funded by a continuing appropriation of 30 percent of the import duties imposed on all commodities, both nonagricultural and agricultural, imported to the United States. This amounted to almost \$1.7 billion in fiscal year 1979. The act also states that up to \$300 million in unused balances from the previous year may be utilized. In 1979, an additional \$298 million was available from this source, yielding a total of over \$1.9 billion. USDA's Food and Nutrition Service (FNS) used approximately \$303.8 million to purchase commodities.

Funds appropriated under Section 32 must be used principally for the purchase of surplus perishable, nonbasic agricultural commodities. Surplus

has been defined as either physical (supplies exceeding requirements) or economic (prices below desired levels). In the latter case, any nonbasic perishable commodity whose market price is less than 100 percent of parity may be purchased under Section 32.

Included in Section 32 foods are high protein items. Meats and poultry, which include such products as frozen ground beef, canned poultry, and frozen turkeys, usually account for one-third to two-thirds of Section 32 expenditures. Fruits and vegetables comprised from 15 to 49 percent in most years, while eggs, dry beans, and peas usually make up 8 to 15 percent of the total. Ninety-one percent of the commodities purchased with Section 32 funds were donated to schools through the National School Lunch and School Breakfast programs.

Commodities are also acquired by USDA under Section 416 of the Agricultural Act of 1949. In contrast to Section 32's perishable, nonbasic foods, Section 416 commodities are price-supported, primarily basic, and nonperishable. Foods acquired by USDA's Commodity Credit Corporation (CCC) are donated through FNS to school lunch and other child-feeding programs, needy families on Indian reservations and in the Pacific Islands, summer camps, the Nutrition Program for the Elderly, the Commodity Supplemental Food Program, charitable institutions, and disaster feeding assistance.

Strict guidelines determine which items may be donated under Section 416. Only commodities determined by Congress or the Secretary of Agriculture as eligible for price support may be included. Furthermore, these must be surplus items, and it must be shown that such dispositions are necessary to prevent waste. Section 416 includes dairy products such as cheese, butter, and nonfat dry milk, and other basic foods such as fats and oils, rice, peanuts, wheat, and other grains. Dairy products accounted for 69 percent of Section 416 donated foods in 1979.

Over 90 percent of Section 416 commodities donated through CCC inventories have gone to domestic outlets since 1970, with schools receiving the largest percentage. Most CCC Section 416 commodities went to foreign nonprofit voluntary agencies prior to 1967. Authorizations for foreign donations, however, have been transferred to Title II, Public Law 480.

Section 6 of the National School Lunch Act of 1946 further authorizes the purchase of agricultural commodities to be donated to schools and service institutions. State preferences largely dictate which foods will be purchased under Section 6, as price-support and surplus restrictions do not exist for these products. It generally has been the policy of FNS to use Section 6 funds to purchase commodities that the States prefer in addition to items under Sections 416 and 32. Section 6 foods have included such items as frozen cut-up chicken, frozen turkey rolls, frozen frankfurters, dry beans, frozen beef and pork, and various fruits and vegetables.

Purchases are basically determined by State needs. However, Section 6E of the National School Lunch Act mandates special emphasis for high protein foods, meat, and meat alternates. Meat and poultry products accounted for 40 percent of all Section 6 donated foods in fiscal year 1979.

Under the School Lunch Program, States are eligible to receive an amount of commodities valued at 10 cents per lunch plus an adjustment for the cost of living. For the 1979-80 school year, this amounted to 15.75 cents per lunch served. Section 6B of the National School Lunch Act authorizes the payment of cash in lieu of commodities in the event that an insufficient amount of food is purchased. The amount of cash to be received is determined by subtracting the value of commodities received from the total value (number of lunches served times 15.75 cents) of the State's entitlement. At least 75 percent of the mandated per lunch entitlement, however, must be in the form of commodities. Kansas is entitled to receive all benefits in the form of cash in lieu of commodities, and received \$7.5 million under this authorization in school year 1979-80. Cash in lieu of commodity payments are also given under the Child Care Food Program and the Nutrition Program for the Elderly.

The commodity distribution programs provided the only real public food relief in the early years. Needy persons, schools, and institutions were eligible to receive commodities under the various legislative authorities. However, the relative importance of the programs has declined as Federal food assistance is increasingly offered on a cash rather than direct distribution basis. Commodities accounted for 41 percent of the total Federal expenditures for all domestic food programs as late as 1970. In fiscal year 1979, commodities represented approximately 7.4 percent of the total.

The actual dollar value of commodities has remained relatively constant, while commodities, as a percentage of total Federal expenditures, have rapidly declined. In fiscal year 1978, nearly \$600 million worth of commodities were distributed. This amount was over \$854 million in fiscal year 1979. Cash contributions (including cash in lieu of commodity payments), on the other hand, increased from \$991 million in fiscal year 1970 to nearly \$9.8 billion in fiscal year 1979. The value of bonus stamps in the Food Stamp Program rose from about \$500 million in 1970 to \$6.5 billion in 1979.

Needy families now receive only a small percentage of donated foods, considering the increase in cash assistance via the Food Stamp Program. In fiscal year 1967, 33.2 percent of commodities distributed went to needy families; this amount fell to 2.4 percent in 1979. The share to schools conversely rose from 61.8 percent in 1967 to 86.5 percent in 1979. Cash contributions to the National School Lunch Program increased dramatically, from \$149.7 million in 1967 to more than \$2 billion in 1979. Commodities as a percentage of Federal donations to schools for the National School Lunch Program, therefore, actually declined from 55.7 percent in 1967 to 25.2 percent in 1979.

Some legislative actions target specific groups of persons to receive commodity donations. Title III of the Older Americans Act of 1965 authorized the Department of Health, Education, and Welfare (HEW) to set up funding for social gatherings among elderly persons residing in needy areas. USDA donated commodities valued at 38.5 cents per meal in fiscal year 1979.

Pregnant and lactating women and infants and children residing in approved project areas receive commodities through the Supplemental Food Program. Purchasing authority for this program is granted through the Agriculture and Consumer Protection Act of 1973, Section 4A. About \$17.5 million in commodities were donated through this program in fiscal year 1979.

One of the objectives of the Food Stamp Act of 1977 is to provide better service to Indians through the Food Stamp and Food Distribution programs. With regard to the latter program, the Act extended the authority for Indian reservations to continue or to commence participation in the Food Distribution Program. This was done in recognition of the limited benefits received through the Food Stamp Program by Indian households due almost solely to the remote geographical location of most of the reservations.

The Food Distribution Program is administered by State agencies on behalf of participating reservations unless the Department of Agriculture determines that the tribal organization on a given reservation is capable of effectively and efficiently administering the program. Administering agencies are responsible for all aspects of program operations on the reservation, including budget and plan development, outreach, nutrition education, household certification, and the storing and distributing of commodities. The Department of Agriculture is responsible for purchasing food and transporting it to the local level.

The Disaster Relief Act of 1974, Section 410, ensures the availability of adequate stocks of food in areas that suffer a major disaster. Section 32 and Section 416 funds are used under this authorization. This aid amounted to \$1.3 million in fiscal year 1979.



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