TRANSITION IN FOOD AND AGRICULTURAL POLICY: KEY STAKEHOLDER—DOMESTIC CONSUMERS

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Looking back at statements about consumers' stake in food and agricultural policy I and others have written over the past decades, I asked myself what has changed? What has not changed is that assurance of an adequate and safe supply of food at a reasonable price remains consumers' primary stake in the outcome of food and agricultural policy. What has changed is the flow of information and the diversity within the industry. Agricultural markets are rapidly being privatized and, consequently, the role government policy can and should play in continuing to assure safe and adequate food for all consumers is uncertain and changing.

So far, I would argue, our policies have been quite successful. Most U.S. consumers have more than an adequate supply of food and its real price has fallen steadily over the past decades. All food and beverage takes about 15 percent of consumers' personal consumption expenditures and food eaten at home takes about 8.5 percent, the lowest percentages in the world (U.S. Department of Agriculture).

The danger is that this abundant and affordable food will be taken for granted. Even though any economist can easily point to any particular farm commodity program or marketing order and identify losses in consumer welfare due to prices that are higher than some unknown market equilibrium price, and even though virtually all the "consumer subsidy equivalents" are negative (Webb et al.), the overall package of farm programs has, over the years, provided an economically stable environment wherein farmers produced abundantly; some would say excessively. This abundance, and a declining portion of household budgets needed to purchase it, has allowed households to increase their well-being through consumption of an ever wider variety of goods and services. Economic growth of the nation itself has depended greatly on the transfer of household expenditures away from food and toward durable goods, health care and high technology.

In moving toward a more market-oriented agriculture, whether by way of public policy or private initiatives, the successes of the past must be maintained. Consumers' first stake in food and agricultural

policy lies in not taking for granted abundant food at reasonable prices.

Food Assistance Programs

Beyond that, what is in the 1995 farm bill that concerns consumers? For the one in ten consumers who receive food stamps and the 24 million children who receive subsidized school lunches, there is a very large stake. For them, changes in funding or delivery methods of this basic economic safety net can make the difference between having adequate food and nutrition and livelihood or not (Kinsey and Smallwood).

Annual federal spending of about $34 billion for food assistance programs is more than half of all expenditures on all food and farm programs. Pressures to reduce the federal budget deficit, to merge these food programs with other welfare delivery systems, and/or to provide cash assistance not tied to food are all serious threats to the status quo of these programs. Initially established to increase the demand for food and agricultural commodities, food assistance programs are now, essentially, poverty programs and can be viewed as investment in human capital. The Food Stamp Program (FSP) is the nation's major noncategorical income assistance program, providing a financial safety net to more than 25 million people. It costs more than $23 billion per year and has been called the country's second currency (Senauer).

In a slowly growing economy that is absorbing numerous immigrants from poor countries; is underinvesting in education and training; and is loath to redistribute cash income, the demand for food assistance programs will only increase. In order to contain delivery costs, new administrative and regulatory efficiencies will have to be found. Using electronic means to transfer food stamp benefits is under study and looks promising. After substantial start up capital costs for computer hardware and software, recipients can use a debit card for groceries at the point-of-purchase. The operating costs are lower than those for printing stamps or writing checks and taxpayers retain their strings on how the money is spent. This is important politically even though money is fungible and even now, with printed stamps, only about $.20 to $.30 out of every food stamp dollar goes to buy more food than recipients would otherwise have (Kinsey and Smallwood).

Food stamp benefits, however delivered, are intimately entangled with other poverty programs, even though designed and administered separately. For example, in the face of uniform federal standards for food stamps, and real increases of about $9.50 per month per recipient between 1980 and 1992, some individual states have cut cash income delivered through programs such as Aid to Families with Dependent Children (AFDC), allowing federal food

stamp money to substitute for state funds. Between 1970 and 1992, real AFDC benefits to a family of three with no other income fell 43 percent in the typical state (Kinsey and Ranney). Today, the average value of AFDC and food stamps *combined* is the same as AFDC benefits *alone* in the 1960s before there were food stamps (Barancik and Shapiro).

AFDC and other cash transfer programs are also experimenting with electronic delivery through ordinary cash (ATM) machines. One might argue that establishing separate (bank) accounts for each transfer program for a single recipient is, at best, inefficient. Thus, new electronic technology, the need to cut administrative costs, the fungibility of money in household budgets, and the behavior of other welfare agencies all combine to push the FSP and other income transfer programs together under one administrative umbrella.

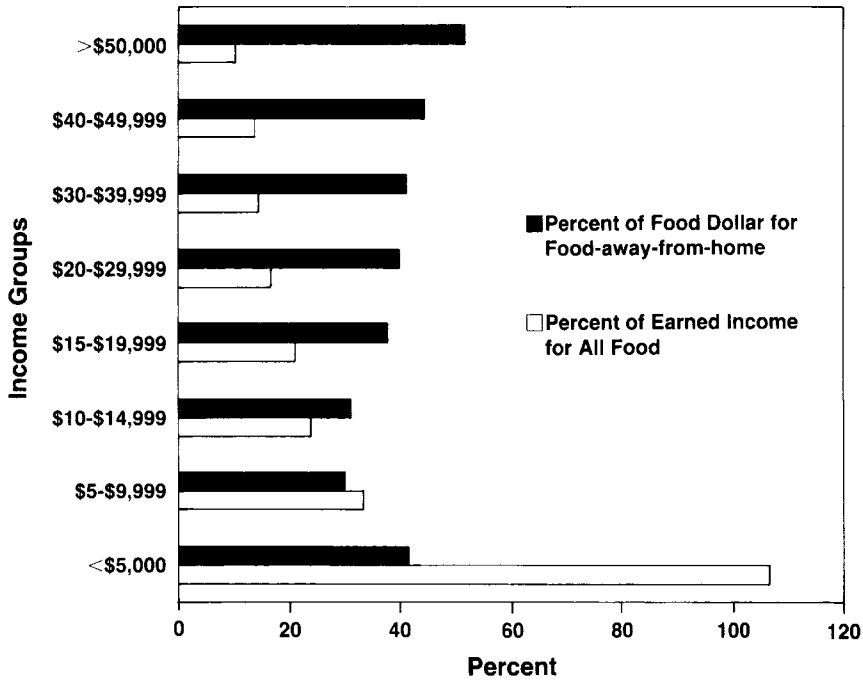
The one unique and endearing feature of food stamps and other food assistance programs is their intent to ensure adequate nutrition to children and poor adults, a factor critical to individuals and to society. Whether this purpose is strong enough and whether its fulfillment is hinged strongly enough to current food programs is questionable. This is not a decision that will be made in the 1995 farm bill, but it is a part of food (and health and welfare) policies that are in transition. It reflects the larger transition in society, in the industry, and in Congress.

In Congress, the urban/rural coalition wherein urban legislators supported farm programs in exchange for farm votes to support urban food programs is collapsing. Food assistance programs have widespread support among both rural and urban legislators. Furthermore, a largely urban population of taxpayers is less sympathetic to transfer payments from middle-income, suburban workers to rural entrepreneurs. So, even though the basic purpose of food and agricultural policy may not have changed, its political support system has changed. All food and agricultural programs will have to be justified to taxpayers whose other priorities are varied and strongly held.

Food Safety, Quality and Regulation

What else is in transition in the food and agricultural sector, and how does it affect consumers? It depends on where you look, where you sit and where you are in the income distribution. Figure 1 uses data from the Consumer Expenditure Survey—1990 to illustrate the percentage of earned income spent for food by income group, and the percentage of food expenditures that go for food-away-from-home (U.S. Department of Labor, Table 2). The poorest group clearly relies on transfer income to purchase food. One can readily see that the percentage of income spent on food falls as income rises and the percentage spent on food-away-from-home (FAFH) rises

Figure 1. U.S. Households Food Expenditures by Income Group, 1990



Source: U.S. Department of Labor

with income. Since the median household income in the United States is now more than $30,000 per year and the median family income is more than $35,000, the last three groups represent half of the households.

If you are a poor consumer, the food assistance issues discussed above are critical and are well within the purview of public policy. If you are not a poor consumer, if you spend less than 15 percent of your household income on food and more than 40 percent of your food budget on FAFH—as do the half of consumers in the United States whose household income is more than $30,000 a year, your concern with food and agricultural policy is not focused on adequacy and price, but on issues of food safety and quality, taxpayers' cost, and the regulation of industry behavior. Since the cost for basic food commodities is less than 24 percent of the cost of food, consumers are legitimately more concerned about costs added by processors and retailers and whether they are justified, given the quality of food and food service received.

Government policies related to food that are of greatest concern to many consumers lie outside the farm bill and may be outside the

purview of the U.S. Department of Agriculture (USDA). Basically, consumers want protection from unsafe food and food additives and ingredients, and they want truthful information about food ingredients and their contributions to health and nutrition. They want to be able to take safety and quality for granted just as they have been able to take food availability for granted. They also expect that pricing practices will not discriminate against the poor or the captive shopper.

The question, as I see it, is less how these consumers will be affected by the 1995 farm bill and more how food and agricultural policies and their regulating agencies will be affected by consumers' demands for safety, quality, taste and convenience in their already abundant food supply.

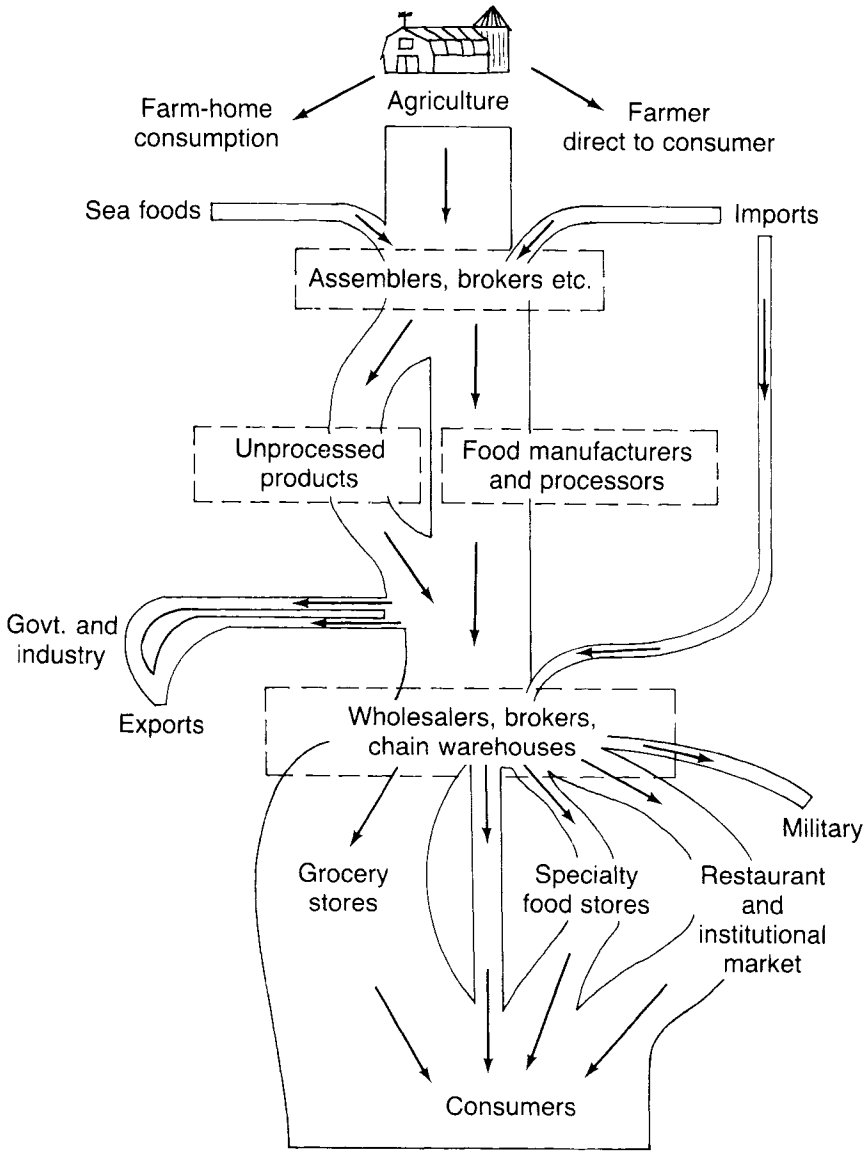
Figure 2 illustrates the food system as it was depicted three decades ago. Farmers are at the top. They produced food that flowed down through a very large processing and distribution system to consumers at grocery stores, institutions and food service establishments. The arrows pointing downward symbolize not only the flow of food, but the direction of decisions and authority in the system. Producers pushed commodities into the system at their discretion, believing their supply would create its own demand. And, for several decades, they were right.

During the 1970s and 1980s, a major transition of this food system began and it is still underway. The top sector, farming, shrank from 13 percent to less than 8 percent of the value added by this industry, with a similar drop in employment. Now, the real decision makers in this system are the retailers who are the closest to consumers' buying behavior. They have become the gatekeepers in the system and, reflecting consumer demand, they have developed considerable power. This means the arrows in Figure 2 are now going the wrong way. The types and quantities of various foods produced and processed are pulled from the bottom. Competition for consumers' food dollars keeps the retailers and their suppliers ever vigilant and the processors who are supplying food to customers' specifications are demanding and contracting for new commodities that match their manufacturing needs.

This fundamental transition, parts of which have been called the "industrialization of agriculture," demands very different public policies and agencies and institutions to protect and inform consumers. It will also require new policies and oversight to ensure domestic agricultural capacity.

To round out these comments about the stake consumers have in food and agricultural policy, broadly applied, I will mention three areas of particular concern that have major implications for how policy is conducted. The three areas are: 1) food safety; 2) nutrition knowledge and information; and 3) intellectual property and private property rights to food technology.

Figure 2. Food System 1966



Source: National Commission on Food Marketing

Food Safety

Food safety encompasses and consumes the entire industry. Food is nothing, if not safe. It is the responsibility of public agencies to ensure safe food by any reasonable means. It is an area fraught with

competing perceptions of risk, competing scientific theories, competing technology, competing government agencies and, seemingly, competing messages from consumers. For example, in its 1992 consumer survey, the Food Marketing Institute found 76 percent of consumers believed pesticide and herbicide residues were a serious health hazard, but 72 percent were completely or mostly confident that the U.S. food supply was safe. I suggest consumers are correct on both counts. The challenge is to earn and sustain that high level of confidence in the safety of the food supply by striving for more consistent public policies and more believable scientific studies. Agencies that appear to be controlled by the industries they regulate do not inspire consumer confidence. Confidence that government agencies can and will respond to safety crises and, better yet, will vigilantly prevent unsafe food from reaching the market, is what consumers want. If that means moving the responsibility for food safety (inspection) out of USDA, so be it. If it means combining the functions of the Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA) and USDA to rationalize the use and regulation of pesticides, so be it. If it means shifting research funds, so be it. The food safety issue will not go away as affluent and educated consumers demand higher and higher safety standards and higher performance from their public officials.

Nutritional Information

The second issue is nutritional knowledge and information. Traditionally, USDA's Health and Nutrition Information Service has surveyed consumers' food expenditures and intake in order to learn the state of the nutritional health of the population and particularly the poor. Knowing the nutritional content of an ever-growing number of foods and of total diets is of increasing interest and importance to all consumers concerned as much with overconsumption of fats, cholesterol and sodium as with the underconsumption of essential vitamins and minerals. If this knowledge base is to be continued and kept up to date, major dollars will be needed to expand the survey and research scope and capacity. Collecting food intake data from busy consumers, even with compensation, is increasingly difficult; new survey methods will need to be explored. Ignoring details about snacks and foods eaten away from home is no longer acceptable since they are a major part of today's diet.

In a well-fed population, it may be tempting to take nutritional adequacy for granted; to stop detailed investigation into diets and foods. This would be a mistake. It is exactly this type of a credible watchdog activity that keeps highly competitive businesses in line. Monitoring the nutritional composition of new and old foods and peoples' diets may not be the stuff of best-selling novels, but it is the stuff of a well-fed, healthy and productive population.

Research Policy

The third and last issue also has to do with public research and product development. As private companies, competing for market share, engage in a larger portion of the basic and applied research that produces new food production and processing technologies and new foods, this knowledge will be patented and/or privately held. Fewer scientists working in the public sector will have access to this knowledge or they might be silenced through private funding contracts. Public funding for parallel, even duplicative, research in public institutions is essential to future agricultural production and processing capacity. Why? Because privately held knowledge can be lost, deliberately destroyed or otherwise abused and exploited. Academic thinkers disagree about how important this is, but unshared knowledge gives the companies that have it considerable market and pricing power. It also inhibits the public sector in its role of assuring safety and quality. For a basic need like food, some mechanisms to ensure public access to scientific findings and technologies are truly a public good. Research and development funding, patent and licensing policy, food safety and quality policy, and anti-trust policy will all be needed to address this issue.

Conclusions

There are certainly other issues that concern consumers, i.e., the environment; air and water pollution; wildlife, forest and wetland preservation; cruelty to animals; and other causes that impinge on the food and agricultural industry. Their omission here is not meant to minimize their importance, but to enable concentration on those issues that identify the stake consumers have in and around the 1995 farm bill. The making and executing of public policy is largely for the protection of consumers and citizens and their common good. In this era, with a transformed food and agricultural industry, specific issues that affect or are affected by consumers can be summarized as:

1. Maintaining efficient food and agricultural production, processing and distribution in order to maintain an adequate and safe food supply at reasonable prices.

2. Food assistance policy and funding. For poor consumers, it is their livelihood; for non-poor consumers, it is an issue of minimizing tax dollars spent on administration and non-essential payments. It is also an important investment in a productive society.

3. Higher and more consistent standards for food safety will continue to be high profile issues. Consumers will also expect higher and more consistent performance from government policies and regulations.

4. Better scientific information about nutritional content of foods and total diets will continue to be needed.

5. Public research funding will be needed to ensure public ownership of knowledge about how to produce and process food in the future and to assure its quality.

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