Food Legislation

Linda S. Weingarten
(202) 447-9200

The 96th Congress is debating numerous food and agricultural issues this year. So far this session, no major final actions have been taken, but the House and Senate Agriculture Committees have held hearings and begun work on a variety of proposals.

Food Safety Policy

The Justice Department has ruled that if nitrite is proven to be a carcinogen present law requires the immediate ban of its use in the food supply. Only Congress has the authority to permit its continued use.

The decision prompted Secretary of Agriculture Bergland and Secretary of Health, Education, and Welfare Califano to propose new legislation to Congress. The legislation would postpone a nitrite ban until May 1, 1980, phasing it out over a 2-year period if it is determined to be a carcinogen. According to Attorney General Griffin Bell, determination rests exclusively with the two Departments.

Nitrite use has posed a unique public policy dilemma since it was suggested that the additive causes cancer in some laboratory animals. Under the Delaney Clause of the Food, Drug and Cosmetic Act and also as written in the Meat and Poultry Inspection Acts, no additive shall be deemed to be safe if it is found to induce cancer when ingested by man or animal. On the other hand, nitrites prevent a form of food poisoning known as botulism, for which there is currently no other satisfactory control.

Under the first part of the proposed legislation, known as the "Nitrite Moratorium and Food Safety Act," research would be conducted to evaluate the uses and risks of nitrite and its alternatives. Also, USDA and the Food and Drug Administration (FDA) could continue to enforce existing regulations requiring reductions in the amount of nitrite permitted in bacon.

The second part of the Act would establish a process to phase out the use of nitrite as a preservative if it is proven to be a carcinogen. In that event, nitrite would be phased out as soon as safe, feasible alternatives are available. Explaining this aspect of the proposed bill, Secretary Bergland said, "In considering alternatives, we would assess such factors as availability, practicality, what it would mean to energy consumption and the environment, and the cost to consumers, producers, and processors."

If a phase-out were found to be necessary the bill would require proposed regulations, a comment period, and public hearings before final regulations are adopted. As Bergland said, "The intent is to move quickly but to give all interested people a chance to let us know their thoughts."

The bill has been referred to the House Agriculture Committee and the Subcommittee on Health and Environment of the House Interstate and Foreign Commerce Committee. Also under consideration is legislation establishing a procedure for defining the extent of the risk posed by a substance so that appropriate action can be taken for each risk category.

Sugar

With the world price of sugar below current domestic costs of production, Congress is considering legislation to provide for an economically viable domestic sugarcane and sugar beet industry. Included in this legislation is a measure to ratify the International Sugar Agreement (ISA), now provisionally in effect.

The Administration proposal, which is being offered as an amendment to the House Agriculture Committee bill, provides for a price objective for supply year 1979 of 15.8 cents per pound. The Administration would also accept a direct payment to producers of up to one-half cent per pound, if such a provision were necessary for passage. The price objective would be achieved by fees and duties with quantitative restrictions to be used as a last resort. The price objective for succeeding years up to 1981 would be determined by a formula based on historical costs of production to be used at the Secretary's discretion.

Historically, support of the domestic sugar industry has been maintained at a level in excess of the world sugar price through the imposition of import fees. Since fees are limited to 50 percent of the world price, it may be difficult to support the domestic price if the world price falls.

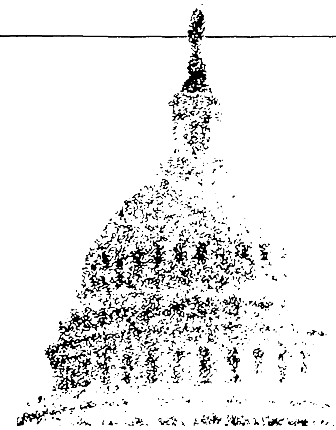
Currently, the Commodity Credit Corporation (CCC) owns $51.8 million worth of sugar. USDA estimates that a significant amount of the $800 million 1978 crop will be put under loan this year and will be forfeited to the CCC because of low market prices. Without new legislation, the CCC can only sell sugar at 105 percent of the current loan level, so the sugar loan program may cost the Government more than $1 billion in budget outlays in fiscal years 1979 and 1980.

The Administration feels that the signing of the ISA is essential to the stability of the world sugar market. With sugar stocks already at one-third of annual consumption, and world production at near record levels, the world sugar price has fallen dramatically over the past few years to a 1978 average of 7.81 cents per pound. The ISA would stabilize the world market price between 11 and 21 cents per pound by means of quotas, fees, and buffer stocks.

Since many of the 50 nations that have already signed the Agreement are developing countries, it is felt that a breakdown of the Agreement may result in a severe loss of foreign exchange earnings of those countries and a further decline in the world sugar market price.

The corn sweetener industry is also affected by any sugar legislation. Since high fructose corn sirup (HFCS) producers are the sugar industry's principal competitors, any price advantage to the sugar industry also goes to the HFCS industry.

Also included in the bill are farm labor provisions for those producers who receive payments under the program. They would require a wage rate of



$3.30 for the 1979 supply year (assuming the 16.3 price), to be increased proportionally if total supports for growers are increased during the life of the bill.

The key Senate version of the sugar bill, introduced by Senators Church and Long, provides for a price objective of 17 cents per pound to include the 1978 crop. It also contains an escalator clause on a cost-of-production formula to boost the price objective in 1979 and succeeding years.

According to USDA figures, the proposal to increase the support price objective from its current 15 cents to about 16.3 cents would add about $300 million to total consumer costs for all sweeteners in 1979. The Church/Long version would add about $480 million to consumer costs.

Meat

Sharply rising food costs have caused Congress to take another look at the countercyclical meat legislation vetoed by the President last session. Expenditures on red meats and poultry account for about one-third of total consumer spending for food, with beef taking the largest share.

Current legislation provides for an import base quantity for certain meats that is adjusted upward or downward each year in proportion to the rise or fall in a 3-year moving average of domestic production. In this way, imports rise and fall in direct proportion to domestic production.

The President has the authority to invoke a quota when imports are projected to equal or exceed 110 percent of the base. However, as prices begin to rise, the President has the authority to suspend the quota to alleviate pressure on the marketplace. The quota was invoked at the start of 1979 as imports were projected to be 111 percent of the current base.

Two bills have been introduced to amend the current law to use a countercyclical adjuster to allow imports to complement domestic production. Both would limit the President's authority to adjust quotas by tying his actions directly to a formula. Representative Ullman's bill would establish a formula allowing an increase in imports if the farm price of cattle (price paid to farmers) rises faster than the Consumer Price Index for beef and veal in any two consecutive quarters. The Ullman bill would limit the increase or decrease of imports to 10 percent.

Senator Bentsen's bill would require use of a comparison of the longrun per capita domestic production to the shortrun per capita production to determine whether domestic producers were in a stage of liquidating or rebuilding their herds.

If producers were liquidating herds, then prices would be low and quotas would be invoked. Conversely, if herds were being rebuilt, prices would be high and quotas would be suspended. There would be no limit to the size of the increase or decrease of imports under Bentsen's bill. In this respect the Bentsen bill is less restrictive than the Ullman bill.

This flexibility in the President's authority to adjust quotas is a major area of debate. Last year's bill was vetoed primarily because it was judged to be too restrictive of his authority. Both proposed bills and current legislation include a provision for Presidential discretion in the interest of national security and in times of disaster.

The current law does not include a provision for a minimum level of imports. The Ullman and Bentsen bills both would provide a minimum of 1.2 billion pounds per year. The President has said that he will only sign a bill that includes a 1.3-billion-pound minimum. This provision is essential, according to the Administration, to be consistent with our international trade obligations and objectives. The President feels that we must allow suppliers to be able to depend on a stable base level of imports since the United States is the primary market for many exporting countries, especially Australia and New Zealand.

Cattlemen, on the other hand, feel that an excessive increase in imports would reduce prices and relay false signals to producers who are at the point in the cattle cycle of rebuilding herds. They feel that producers would start liquidating herds too soon and this would further aggravate the possibility of future short supplies, and create even higher prices at the retail level.

Food Stamp Program

With food stamp expenditures expected to exceed the $6.2 billion ceiling in 1980, the Senate and House Agriculture Committees have recommended to their respective Budget Committees that the 1980 food stamp ceiling be raised.

Increased spending for the program is a result of unexpected increases in food costs over the 3- to 4-percent-per-annum rise projected in 1977 when the Food Stamp Act was enacted. Food prices rose 10 percent last year, and a similar rise is expected this year. Also, calculations for the current ceiling were based on an assumption of a declining unemployment rate, which indirectly affects participation rates in the Food Stamp Program. A somewhat higher level of unemployment of 6.2 percent is now projected for 1980.

According to the Food and Nutrition Service, the agency that oversees the Food Stamp Program, the elimination of the purchase requirement is not the major reason for the inadequacy of the current authorization ceiling. Even under the old Food Stamp Program, costs would exceed the ceiling by $500 million.

The Administration has proposed legislation that would remove specific dollar authorization ceilings for food stamps, but also retain language enabling Congress to appropriate whatever benefit levels it sees fit in any fiscal year. Thus, if funds are insufficient to provide the entitled benefit levels to eligible families that apply, benefit levels could be reduced. In this way, it is felt that