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Harold Taylor

93d Congress }  
2d Session }

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*National*

## 1975 U.S. AGRICULTURAL OUTLOOK

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## OUTLOOK FOR USDA FOOD PROGRAMS

[By Edward J. Hekman, Administrator, Food and Nutrition Service, USDA]

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It's a pleasure to take part in the National Outlook Conference and to discuss with you some developments in the USDA food programs.

This past year has been a very active year for the food programs, both from the standpoint of providing assistance to more needy persons and from a legislative standpoint. I wish to touch on each of these issues briefly today.

Food assistance to needy persons through the Food and Nutrition Service programs reached record high levels during fiscal 1975. At the end of the year, virtually 100 percent of the population was served by our major family food assistance program, the Food Stamp Program. It has replaced the old Food Distribution Program, and we think this is a major improvement in providing food to people. About 88 percent of the school children enrolled in primary and secondary grades have access to the National School Lunch Program. In addition, we have several hundred thousand persons receiving assistance from a number of other programs such as the supplemental food programs, school breakfast and milk programs and special food service programs.

But, frankly, we aren't too pleased with this program duplication. We would like the Food Stamp and School Lunch Programs to be the best they possibly can be, but we don't appreciate doing the same job 2 or 3 times over.

USDA cost for the food assistance programs in fiscal 1975 totaled \$6.9 billion—as you can see in my first chart—about 45 percent greater than the previous year and about 5 times more than in 1969 when the Food and Nutrition Service was established. This year's costs are expected to approach \$9 billion—which would be about 70 percent of the total budget of the USDA.

### FOOD STAMP PROGRAM

#### PROGRAM COSTS

Total USDA cost of the Food Stamp Program—which accounts for more than two-thirds of the Food and Nutrition Service budget—was near \$4.7 billion in fiscal 1975. Bonus coupons are the major cost of the program, accounting for 94 cents of each dollar spent on the Food Stamp Program (Chart 2). Total expenditures for fiscal 1976 are estimated at \$5.7 billion, unless there are legislative changes in the program—which I will discuss later.

## PARTICIPATION

Average participation in the Food Stamp Program increased considerably from 13.5 million persons at the beginning of the fiscal year to a peak of 19.4 million in April. It then edged off slightly, due mainly to seasonality, to around 18.5 million in September.

This rapid expansion was due to a combination of internal growth and projects switching from the Food Distribution Program. As of January 30, Puerto Rico switched completely from the Food Distribution to the Food Stamp Program, and now we have 1½ million people there in the Food Stamp Program. As unemployment increased last winter, more households fell within the eligibility range, and many of them participated in the Food Stamp Program. Our analysis shows that a one percent change in the unemployment rate results in somewhere between 500,000 and 750,000 additional participants.

About 22 percent of participants are from one and two-member households. More participants are in 4-member households than any other single household size group.

For the fiscal year, about three-fourths of the increase in participation consisted of people that were not on public assistance programs. By the end of the year, over one-half of all participants were in non-public assistance households. By income groups, our participants are concentrated at the lower income levels. As our chart shows, some participants have sizable incomes (mainly large households), but they represent a relatively small part of the population. Over one-half of the recipient households have less than \$4,000 annual income. About 6 percent have incomes before deductions of over \$9,000.

## CHILD NUTRITION PROGRAMS

## COSTS

In fiscal 1975, USDA contributed about \$2 billion in assistance to the Child Nutrition Programs. These include School Breakfast, Summer feeding, Pre-school feeding, and nonschool programs as well as school lunch. Most of this assistance went to the National School Lunch Program. This year, due both to higher reimbursement rates and some new programs, we expect to spend over \$2½ billion.

## PARTICIPATION

Total participation in the National School Lunch Program has increased only slightly in recent years. On the average, a little more than 25 million children participated in the Program in fiscal 1975—about half a million more than the previous year. We know that more students participated on an infrequent basis, but we don't have an actual student count. A total of 4 billion lunches were served last year.

Although total participation was up some, children paying full price for lunches declined slightly from the previous year. An increase of about 10 percent in free and reduced price participants more than offset the decline. In fiscal 1975, 60 percent of participants paid full price compared with 40 percent free or reduced price.



## LEGISLATION

## PUBLIC LAW 94-105

Now, let's look at child nutrition from the legislative view. Over the last 6 to 8 years we have not had a single year without program changes due to new legislation. Public Law 94-105, just passed, is the most far-reaching legislation in recent years. These changes are expected to raise school lunch participation to about 26.5 million participants this year.

One of the major provisions of the legislation was the extension of the School Lunch Program by simply redefining a "school" for the purpose of child nutrition legislation. Any public or licensed nonprofit private residential child care institution, including orphanages and homes for the mentally retarded, as well as homes for unwed mothers, are now defined as schools and are eligible for the National School Lunch Program and School Breakfast Program as currently operated.

Eligibility for reduced priced lunches was extended up to 195 percent of the Secretary's Income Poverty Guidelines. This means, for example, that school lunches are now available for not more than 20 cents for all children in families of 4 earning incomes up to \$9,770. Further, all schools must now offer reduced priced lunches, whereas previously, such programs were optional.

In secondary schools, the "Type A" lunch in the future will only need to be "offered" rather than "served". Congressional interest here reflects the general public's concern about food and the waste of food. This change was made in an attempt to reduce plate waste. Failure by the student to accept offered food does not affect the full charge to the student for a lunch meeting the requirements, nor the amount of Federal reimbursement made to the school. However, this relaxation raises a serious question about maintaining the nutritional integrity of the lunch.

The new legislation extended the School Breakfast Program, the Year-Round Feeding Programs, the Summer Feeding Program, and Women, Infants and Children Program (WIC Program), all of which would have expired in the absence of new legislation. These programs, however, were not simply extended, but rather they were modified and enlarged in various ways.

The Summer Feeding Program was opened up to virtually any area that wishes to have a program. The program was also specifically extended to residential summer camps that previously had not been eligible. The School Breakfast Program was given permanent authorization. The WIC Program was extended for 3 years. It was expanded from the previous \$100 million level to \$250 million annually, and it was effectively insulated from the appropriations process, by making priority use of Section 32 funds.

These various changes will result in increased federal expenditures of around \$1.2 billion over previously budgeted amounts, which assumed a cutback in support of nonneedy children. On an annual basis it is anticipated that the actions will result in an added Federal cost of around \$500 million over the cost of a simple extension of the above

programs. The majority of added costs will result from the redefinition of a school and increased participation in the reduced price lunch program.

Increasingly in the future, the program likely will focus upon providing financial support to needy children. The pendulum has swung to the point where nearly  $\frac{2}{3}$  of all Federal support for these programs now goes for needy children.

#### FOOD STAMP LEGISLATION

As we indicated earlier, there has been substantial growth in the Food Stamp Program to its present level of some 18.5 million participants. It has become increasingly apparent that major structural changes should be made in the program to meet identifiable problems with the Food Stamp Program.

The Congress in January asked the Department to make a thorough review of the Food Stamp Program and make a report to the Congress by June 30. This report has been made and it identifies various areas in which the program should be changed. These include:

1. Targeting eligibility so that program benefits would be concentrated among the most needy households.
2. Increasing program equity so that households with like income and resources would be treated alike.
3. Simplifying the program so that general administrative procedures would be easier and less subject to error.

A Food Stamp Proposal by the Administration went forward on October 20, called the National Food Stamp Reform Act of 1975. This is the most extensive restructuring of the Food Stamp Program ever considered and one that addresses the major problems identified in the administration of the program. It would:

1. Limit program eligibility to households that have incomes below the poverty level, after allowing for income deductions.
2. Standardize these deductions at \$100 per household per month (\$125 per month if the household has an elder person), in lieu of the present system of a multiplicity of income deductions.
3. Provide that a set percentage of remaining income (30%) be required as a purchase requirement, in lieu of variable amounts.
4. Provide for income to be computed on the basis of the average of the last 90 days income, rather than the next 30 days. Farmers eligibility, however, would still be based on a longer period of past income because of the nature of their earnings.
5. Categorical eligibility of public assistance households would be eliminated so that all households would be treated alike.

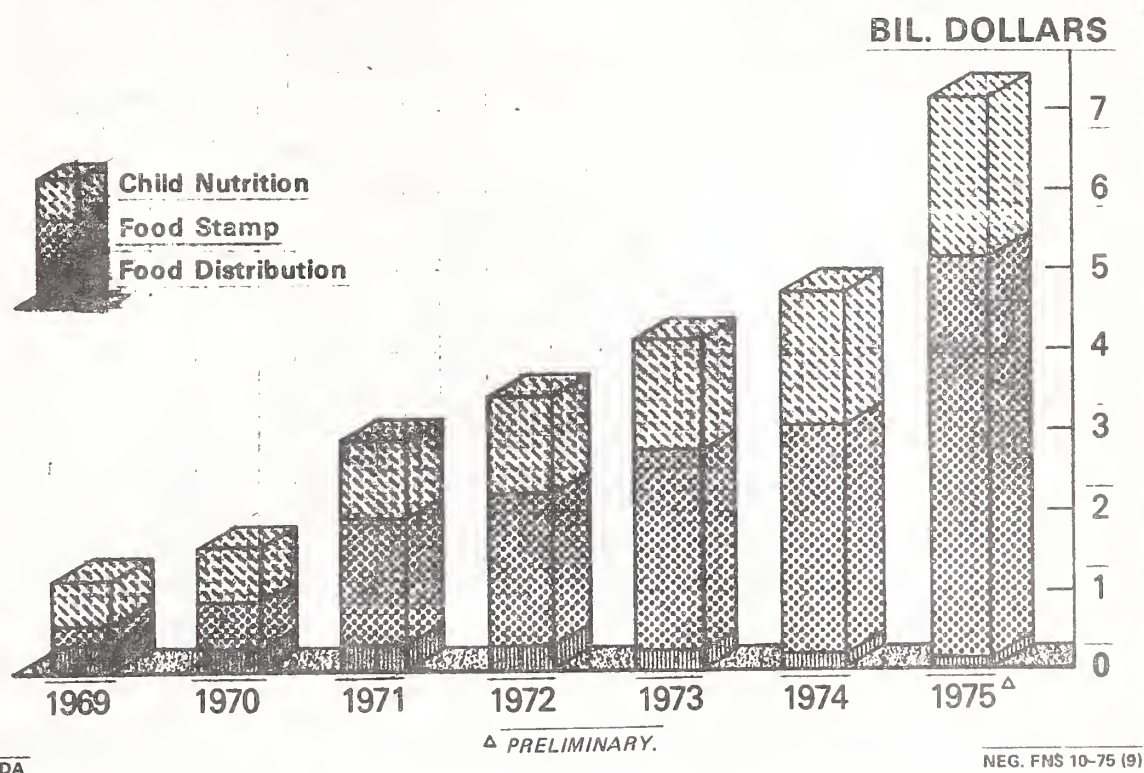
We believe these changes would go a long way to improving the program and make it generally acceptable to the public.

Regarding the purchase requirement, one proposal before the Congress would omit it entirely and simply give the Federal bonus amount in stamps. We do not favor such a change. It would sharply change the self-help character of the program and would eliminate the nutritional emphasis of the program. No longer would the value of stamps issued allow a household to purchase a nutritionally adequate diet.

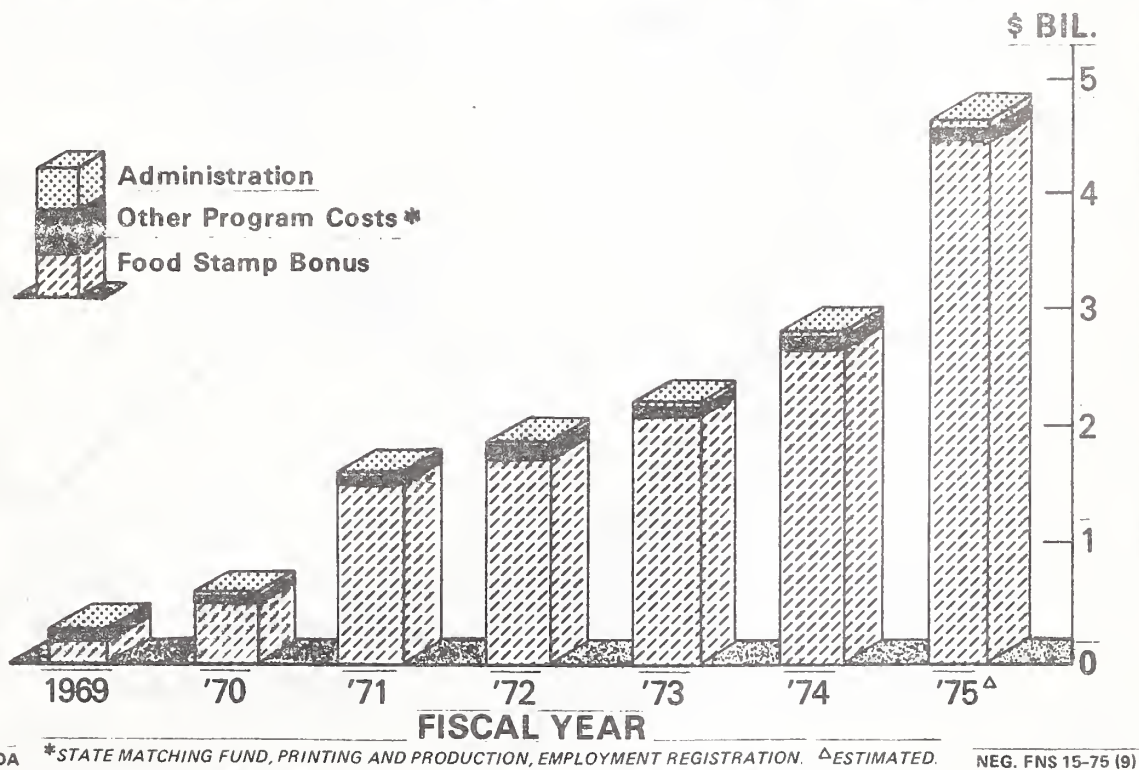
I thank you for the opportunity to be with you today, and I'll be glad to answer any questions you may have.



## USDA FUNDING FOR FOOD ASSISTANCE



## USDA COST OF THE FOOD STAMP PROGRAM

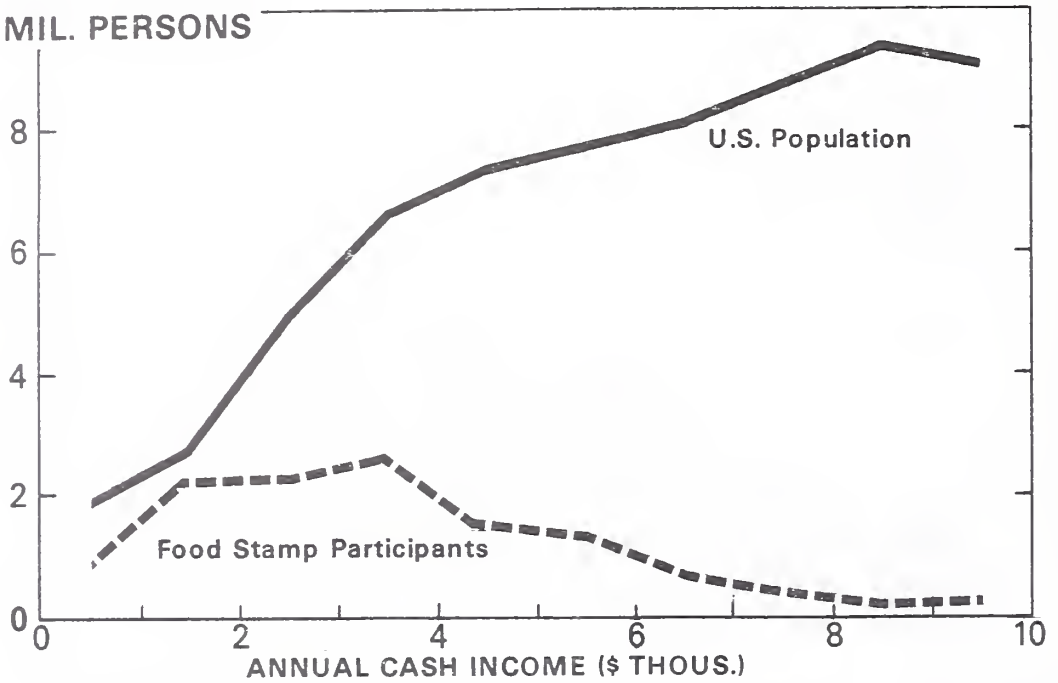




# FOOD STAMP PARTICIPATION AND U.S. POPULATION, 1974

(By Income Group)

MIL. PERSONS

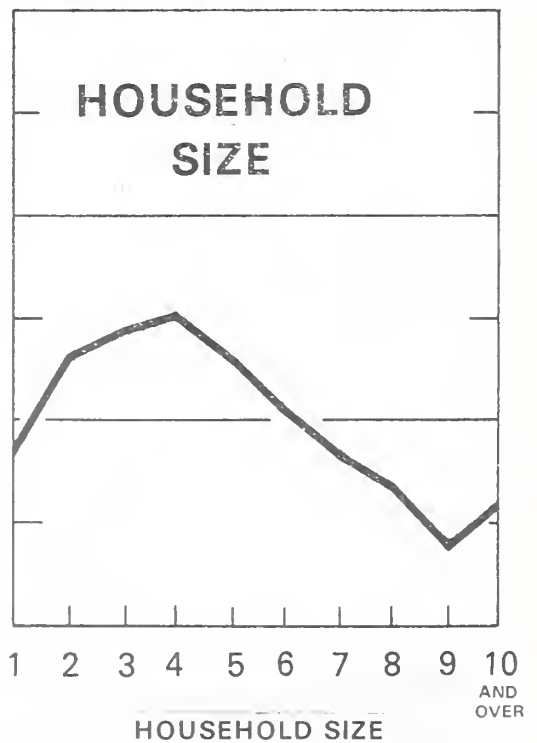
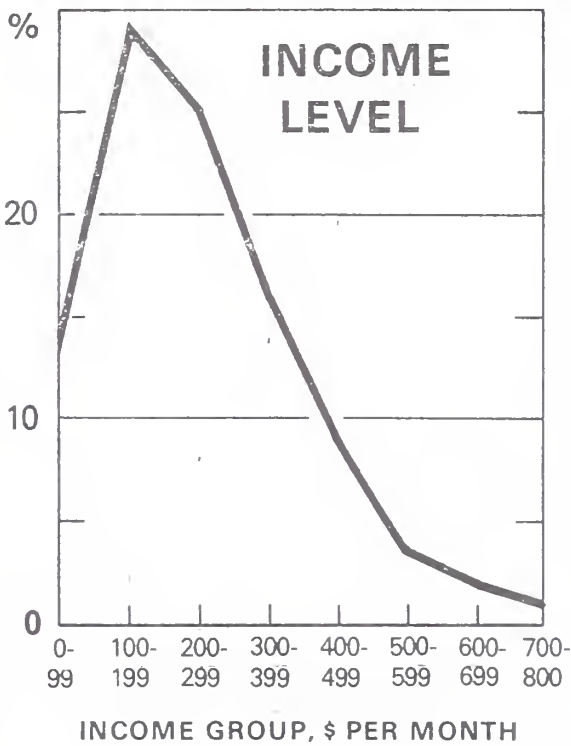


USDA

MIDDLE-OF-INCOME RANGE DATA USED.

NEG. FNS 22-75 (9)

## FOOD STAMP PARTICIPATION



USDA

NEG. FNS 27-75 (9)

## AVERAGE VALUE OF BONUS FOOD STAMPS (Per Person Per Month)

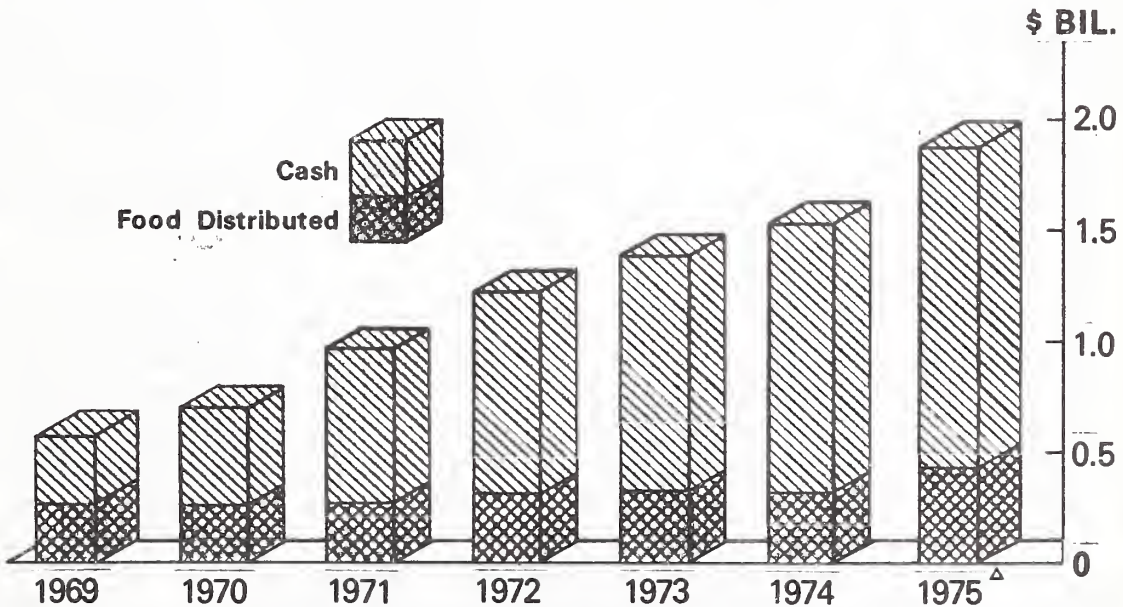


<sup>Δ</sup> PRELIMINARY.

USDA

NEG. FNS 7-75 (9)

## USDA CONTRIBUTIONS TO CHILD NUTRITION PROGRAMS



<sup>Δ</sup> PRELIMINARY.

USDA

NEG. FNS 25-75 (9)