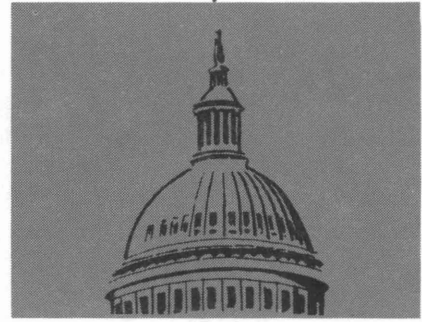


# FOOD AID — DOMESTIC AND FOREIGN

R. G. F. Spitze, University of Illinois  
W. Neill Schaller, Farm Foundation



## WHAT ARE THE ISSUES?

In most of the world, food moves to consumers through the marketplace. If people and nations can pay for it, they will usually be fed. What if they cannot pay for it? Food aid, as distinct from technical aid for food production, has been one answer in nations rich enough to provide it domestically or internationally. At one time, almost all food aid was privately administered by the family, the church, and other charitable organizations. Public food aid on a large scale began only in this century due to the willingness to have government attend to the needs of people. Surplus disposal and improved foreign relations have also been major objectives.

Substantial food aid has been provided domestically in the U.S. since the 1930's and to foreign countries since the 1950's. It does not seem a likely policy alternative that the public would reverse the path of the past and eliminate all food aid. So there are two issues: (1) How much public food aid should the U.S. provide and to whom? (2) How should food aid be administered?

## WHY ARE THESE ISSUES?

A combination of developments has raised public concern about food aid issues: Short food supplies, inflation, population pressures, and increased awareness of malnutrition abroad and at home. In spite of doubts about effectiveness of government to administer food aid and disappointments in the results of that food aid, evidence of continued support is seen in public resolutions and rising appropriations to feed the needy.

## CURRENT FOOD AID PROGRAMS

### Domestic

**Food Stamp Program.** Though first operated in 1939-41, it was reinstated in 1961 and has expanded fourfold in the last 5 years. It is administered by the states. The amount of aid, in the form of subsidized food coupons with cash value, depends on the person's income and size of family. A little over 17 million persons, or 8 percent of the U.S. population, currently are recipients, with an average aid of \$24 per month per person.

**Child Nutrition Programs.** These include the School Lunch and Special Milk Programs, initiated in the 1930's, as well as School Breakfast and Special Food programs (child, summer feeding, and so on) added in the late 1960's. Children receive partially or wholly sub-

sidized food at school. The School Lunch program reaches over 25 million children, and the Breakfast program over 2.3 million.

**Food Distribution.** Initiated in 1933, this program authorized the distribution of food purchased by government to support the prices of certain farm commodities. Recipients are needy families on American Indian reservations, the schools, and other institutions.

**Supplemental Food for Women, Infants, and Children (WIC).** This program, started in 1974, provides food aid to pregnant and nursing women and young children whose need for an adequate diet is critical.

### Foreign

In 1954, during a period of falling farm prices and mounting government-held "surpluses," the Agricultural Trade Development and Assistance Act, commonly known as Public Law 480, was passed. It now has two parts: (1) Food donations to countries experiencing disaster, and (2) Sale of food on easy credit terms.

The current outlay is just over \$1 billion, about 80% for concessional sales, and much less in quantity than previously. Over 80 countries are recipients, with Bangladesh and India the largest receivers. Only a small fraction of the hundreds of millions believed to be undernourished throughout the world are reached.

### Federal Costs

In Fiscal Year 1976, the federal cost of our domestic and foreign food aid program was:

Domestic	Cost (Billions)
Food stamps	\$5.70
Child Nutrition	
School Lunch	1.50
Special Milk	.14
School Breakfast	.10
Special Food	.15
Food Distribution	.53
WIC	.16
Foreign	
Public Law 480 and other	1.05
<b>Total Food Aid</b>	<b>\$9.33</b>

## Consequences

**To Producers.** These programs could add at the most about 4.5 percent to the value of total consumer food purchases compared to what they otherwise would be without a program. But the effect would more likely be about 3 percent due to some substitution of aid for commercial purchases. The effect on producer prices and incomes would be upward, but most likely less than the maximum possible of 15 percent, due to the long run inducement for greater production. However, programs involving specific commodities, such as milk and meat, would affect those producers relatively more.

**To Agri-business.** Food handlers benefit from food aid by greater volume according to their function.

**To Foreign Agricultural Trade.** A slight downward pressure on commercial exports would result, due to somewhat higher prices. But total exports could be increased, with a maximum of 5%. Conversely, the added demand would tend to increase imports slightly.

**To Consumers.** Although the net benefits to food aid recipients are debated, low-income consumers, particularly domestic, would undoubtedly benefit from the greater quantity and quality of food at lower cost. Over 17 million food stamp recipients and 25 million school children are reached. Consumers with higher incomes would face a small increase in food prices, probably from 1 to 3 percent, given the greater production.

**To Taxpayers.** With a continuation of programs at the present level, but not at the rapid rate of expansion of a few years ago, the taxpayer's burden would depend on changes in the size of the population, personal income levels, and tax revenues. At present the \$9.3 billion total food aid is less than 3 percent of all federal annual outlays, with a quarter percent foreign aid.

### SUBSTANTIAL FOOD AID EXPANSION OR CONTRACTION

**Food Aid Expansion.** Substantial food aid expansion could take several forms: reaching more people in targeted groups, increasing the level of cost-sharing for recipients, or inclusion of more groups. A domestic annual food aid budget of \$10-15 billion, or about 4 percent of the total federal budget, would more nearly reach all of the 25 million now designated as below the poverty level in income, and more of the needy children. A possible target for foreign food aid would be to regain the real relative level of aid of the 1960's and maintain it at a stable proportion of the federal budget. This could reach \$5 billion a year, about 1 percent of the federal budget.

**Food Aid Contraction.** Substantial food aid reduction would involve a reversal of recent trends with a lower real dollar federal cost, a lower proportion of the total budget, and smaller number of recipients, perhaps only coverage of emergency assistance. This could result in a domestic food aid budget of a constant real val-

ue of perhaps \$5 billion, about 1.5 percent of the total budget and decreasing as budgets grow, and with 5 percent of total population being reached.

**Consequences.** Expansion of domestic food aid to \$10-15 billion and foreign aid to \$5 billion would likely have consequences in the same direction as indicated earlier for the present program but with substantially greater magnitude. Substantial reduction of food aid below current levels, with domestic being \$5 billion annually and foreign donations of \$300 million annually, would have the opposite effects.

### SUBSTITUTION OF GENERAL CASH PAYMENTS FOR FOOD AID – DOMESTIC ONLY

Domestic food aid could be replaced by a new general welfare or income maintenance policy. With sufficient public income aid to bring incomes to a minimum level judged adequate for food and other needs, the recipients would have a greater choice in their spending, and the public would benefit from elimination of administrative duplication, conflict, and complexity.

But it can also be argued that the nutrition of people, particularly the young, can best be served when aid consists of specific foods or food purchases. Food aid has been more palatable politically than income payments. The effects on food demand, food prices, and product prices likely would be less than with food aid.

### CHANGE IN FOOD AID ADMINISTRATION

#### Domestic Program Consequences.

Food aid is administered by the U.S. Department of Agriculture (USDA) in cooperation with state and local welfare and other governmental agencies. An alternative would be administration by another unit as the U.S. Department of Health, Education and Welfare (HEW).

A possible advantage would be that HEW, the administrative home for welfare programs, might have greater administrative expertise, offer efficiencies of joint overhead, and provide greater budget support. It would also remove a possible agriculture bias toward using food aid to solve "surplus" farm product problems.

However, retention of food aid in USDA provides a leverage for political support of commercial commodity programs and access to existing research about nutrition, food quality, and marketing.

#### Foreign Program Consequences.

Foreign food aid decisions are made substantially by the U.S. Department of State, with administration and distribution handled by USDA. The issue of any shift is the desired balance of goals pursued by these departments, such as acceptable farm prices vs. foreign relations. Another alternative appears to be for U.S. foreign aid to be administered by an international agency, perhaps in conjunction with a world food reserve. Such a shift removes food aid from domestic and foreign policy interests but also from U.S. control.