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THE RISING COST OF FOOD AND ITS IMPACT ON FEDERAL CHILD NUTRITION PROGRAMS

HEARING

BEFORE THE

COMMITTEE ON
EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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THE RISING COST OF FOOD AND ITS IMPACT ON FEDERAL CHILD NUTRITION PROGRAMS

Wednesday, July 9, 2008
U.S. House of Representatives
Committee on Education and Labor
Washington, DC

The committee met, pursuant to call, at 10:02 a.m., in Room 2175, Rayburn House Office Building, Hon. George Miller [chairman of the committee] presiding.

Present: Miller, Kildee, Scott, Woolsey, Hinojosa, McCarthy, Tierney, Kucinich, Wu, Davis of California, Bishop of New York, Sarbanes, Sestak, Yarmuth, Courtney, Shea-Porter, McKeon, Petri, Castle, Platts, Keller, Kline, Foxx, and Kuhl.

Staff present: Tylease Alli, Hearing Clerk; Alejandra Ceja, Senior Budget/Appropriations Analyst; Denise Forte, Director of Education Policy; David Hartzler, Systems Administrator; Liz Hollis, Special Assistant to Staff Director; Lloyd Horwich, Policy Advisor, Subcommittee on Early Childhood, Elementary and Secretary Education; Fred Jones, Staff Assistant, Education; Deborah Koolbeck, Policy Advisor, Subcommittee on Healthy Families and Communities; Ann-Frances Lambert, Special Assistant to Director of Education Policy; Sharon Lewis, Senior Disability Policy Advisor; Stephanie Moore, General Counsel; Alex Nock, Deputy Staff Director; Joe Novotny, Chief Clerk; Rachel Racusen, Communications Director; Michele Varnhagen, Labor Policy Director; Margaret Young, Staff Assistant, Education; and Mark Zuckerman, Staff Director; Stephanie Arras, Minority Legislative Assistant; James Bergeron, Minority Deputy Director of Education and Human Services Policy; Cameron Coursen, Minority Assistant Communications Director; Kirsten Duncan, Minority Professional Staff Member; Susan Ross, Minority Director of Education and Human Services Policy; Linda Stevens, Minority Chief Clerk/Assistant to the General Counsel; and Sally Stroup, Minority Staff Director.

Chairman MILLER [presiding]. Good morning. A quorum being present, the hearing will come to order.

And the chair will yield to himself for the purposes of making an opening statement and then yield to the senior Republican, Mr. McKeon.

Welcome to today's hearing on "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs." Today we will take a look at soaring food costs and the toll that they are taking on the nation's child nutrition programs.

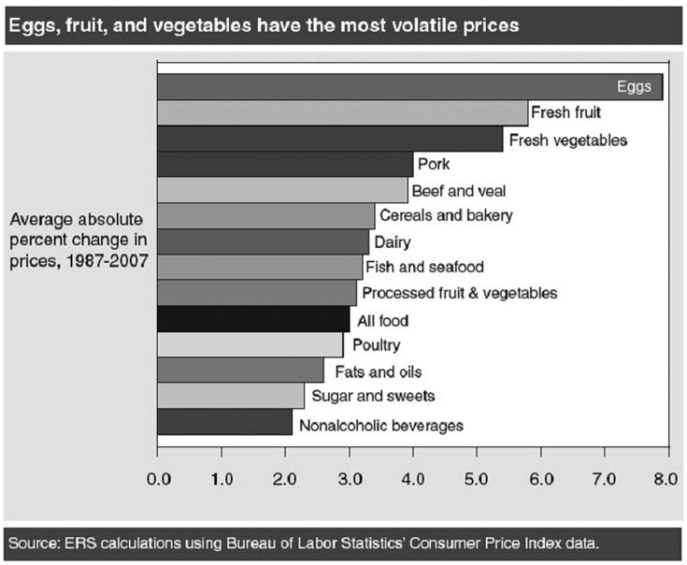
From news headlines to the aisles in the grocery store, it is impossible to ignore the fact that food costs have escalated dramatically over the past year, making it more and more difficult for American families to pay grocery bills and put healthier foods on the table.

Given this tough economic climate, our federal child nutrition programs have an increasingly important role to play in providing children with healthy and nutritious foods while at school, child care, and the summer camp programs.

All together, nearly 50 million children each year are served by the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and the summer food service programs, which provide free meals and snacks to children in low-income communities over the summer vacation.

But with food prices continuing to rise drastically and no signs of slowing down any time soon, it is becoming hard for these programs to continue providing healthy, low-cost meals that children will want to eat.

As demonstrated by the chart on the wall, the prices of many staple foods are on the rise. The U.S. Department of Agriculture reports that the cost of basic essentials like bread, milk and cheese rose by a staggering 17 percent in 2007.



Yet, during this same period, the federal reimbursement rate for child nutrition programs increased by only about 3 to 4 percent. Other than annual indexed adjustments, the reimbursement rate for the National School Lunch Program has remained stagnant for more than two decades.

With the fall fast approaching, these increases are forcing school districts operating under already-tight budgets to make some very tough choices. Many report having to use frozen vegetables instead of fresh vegetables, processed wheat products instead of whole

grains, and prepackaged foods instead of more nutritious entrees that involve additional preparation costs.

In my own district in California, one school nutrition director reported that produce is up nearly 10 percent, frozen and dry foods are up nearly 20 percent, and dairy products are up more than 20 percent.

Other districts report having to scale back the number of meals they provide and cutting down on staff to reduce labor costs. For many summer food programs currently struggling to meet these higher costs, increased food prices has led to serving fewer kids.

In the wake of waning federal support, states and school districts are shouldering more of the cost of school meals. The School Nutrition Association reports that school lunches cost an average of over $2.90 to prepare. Even with the recent adjustment announced this month, the federal subsidy for free meals will still only reimburse schools for $2.57, leaving school districts to cover the difference.

Schools have limited options to increase revenues or decrease expenses. Again, as the chart on the wall demonstrates, a recent USDA study showed that the full cost of producing school meals exceeds reported costs by an average of 19 percent. According to SNA's estimates, U.S. schools will incur a loss of about $5 million to $8 million each school day in order to feed 30 million children.

Without sufficient federal resources, many states and school districts often have to rely on the sales of popular but less nutritious foods, like pizza, french fries and sodas, to help generate the revenue needed to subsidize healthier meal options.

In some cases, higher food prices are forcing some programs to question whether they can continue participating in the federal nutrition program all together, meaning that fewer children may have access to healthy meals.

Today we will hear from several witnesses who have firsthand knowledge of the impact of rising food costs on their programs and the challenge of providing healthy meals. We will also hear from officials at the U.S. Department of Agriculture, the agency responsible for running our federal child nutrition programs. And we will hear from the Grocery Manufacturers Association.

I would like to thank all of you for joining us today and look forward to hearing your testimony.

Providing children with access to healthier, nutritious foods while at child care, school or summer camps is vital to our efforts to help children learn, succeed and thrive. And at a time when the U.S. faces staggering rates of childhood obesity, helping young children develop healthy and nutritious eating habits must be a top national priority.

And, with that, I would like to yield such time as he may consume to Mr. McKeon, the senior Republican on the committee.

[The statement of Mr. Miller follows:]

Prepared Statement of Hon. George Miller, Chairman, Committee on Education and Labor

Good Morning. Welcome to today's hearing on "The Rising Costs of Food and Its Impact on Federal Child Nutrition Programs."

Today we will take a look at soaring food costs, and the toll they're taking on our nation's child nutrition programs.

From news headlines to the aisles at the grocery store, it's impossible to ignore the fact that food costs have escalated dramatically over the past year—making it more and more difficult for American families to pay the grocery bills and put healthier foods on the table.

Given this tough economic climate, our federal child nutrition programs have an increasingly important role to play in providing children with healthy and nutritious foods while at school, childcare, or summer camp programs.

Altogether, nearly fifty million children each year are served by the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, and summer food service programs, which provide free meals and snacks to children in low-income communities over summer vacation.

But with food prices continuing to rise drastically—with no signs of slowing down anytime soon—it is becoming tremendously hard for these programs to continue providing healthy, low-cost meals that children will want to eat.

As demonstrated by the chart on the wall, the prices of many staple foods are on the rise. The U.S. Department of Agriculture reports that the cost of basic essentials like bread, milk, and cheese rose by a staggering 17 percent in 2007. Yet during this same period the federal reimbursement rate for child nutrition programs increased by only about 3-4 percent. Other than annual indexed adjustments, the reimbursement rate for the National School Lunch Program has remained stagnant for more than two decades.

With the fall fast approaching, these increases are forcing school districts operating under already-tight budgets to make some very tough choices.

Many report having to use frozen vegetables instead of fresh vegetables, processed wheat products instead of whole grains, and prepackaged foods instead of more nutritious entrees that involve additional preparation costs.

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In the wake of waning federal support, states and school districts are shouldering more of the cost of school meals.

The School Nutrition Association reports that school lunches cost an average of over $2.90 to prepare. Even with the recent adjustment announced this month, the federal subsidy for free meals will still only reimburse schools $2.57—leaving school districts to cover the difference. Schools have limited options to increase revenue or decrease expenses. As the chart on the wall demonstrates, a recent USDA study showed that the full cost of producing school meals exceeds reported costs by an average of 19 percent.

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Today we will hear from several witnesses who have firsthand knowledge about the impact of rising food costs on their programs and the challenge of providing healthy meals. We will also hear from officials at the U.S. Department of Agriculture, the agency responsible for running our federal child nutrition programs.

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Providing children with access to healthier, nutritious foods while at childcare, school, or summer camp is vital to our efforts to help all children learn, succeed and thrive. And at a time when the U.S. faces staggering rates of childhood obesity, helping young children develop healthy and nutritious eating habits must be a top national priority.

Thank you.

Mr. McKEON. Thank you, Chairman Miller. And good morning.

We are here today to examine the rising cost of food and its impact on federal child nutrition programs. The federal child nutri-

tion programs are vitally important to our efforts to promote good health, prevent childhood obesity, and address hunger and food insecurity.

From the WIC program that helps provide nutritious foods to pregnant women and young children, to the National School Lunch and Breakfast Programs which provide healthy meals and snacks to an estimated 31 million students, these programs make a real difference in schools and communities where children struggle with hunger and poor nutrition.

Federal child nutrition programs account for fully one-quarter of the U.S. Department of Agriculture's domestic food and nutrition assistance outlays. In fiscal year 2007, USDA spent $13.4 billion on these programs that provide a nutritional safety net for children.

Unfortunately, that investment is being undermined by rapidly rising food costs, which are driven in large part by exploding energy costs. Make no mistake about it: A major factor behind rising food prices in the federal child nutrition programs and on supermarket shelves around the country is the cost of fuel and the impact of America's energy policies.

I am glad we are here today to discuss the impact of rising food prices on child nutrition programs, but we shouldn't be having this conversation in a vacuum. We cannot afford to ignore the role of energy policy in the food cost equation.

We have energy policies, or a lack thereof, that are driving up prices at every stage of the process. From greater competition for land and increased feed costs driven by ethanol mandates to the higher cost of transporting foods and stocking grocery shelves and school pantries because of the price at the pump, food prices are inextricably linked to energy prices.

Given these facts, one would assume that the House would be acting aggressively to tackle high energy prices. After all, there is no shortage of ideas about how to rein in energy costs and put America on a path to energy independence.

Before the Memorial Day break, House Republicans outlined an all-of-the-above energy plan to increase production of American-made energy, encourage more conservation and efficiency, and promote the use of alternative fuels. Republicans are also signing discharge petitions so that important energy reforms that remain bottled up in committees are finally given the up-or-down vote they deserve.

So what is the majority doing about the energy crisis that is driving up food costs and making it more difficult to combat hunger in our schools? According to an article that appeared in The Hill newspaper just yesterday, "Worried that a floor vote on any energy-related measure would trigger a Republican-forced vote on domestic drilling, the leadership has scrubbed the floor schedule of the energy legislation that it vowed to tackle after the Fourth of July recess."

That is unconscionable, and the American people agree. Poll after poll has shown that Americans agree and recognize the need for comprehensive energy solutions.

And a growing majority of Americans now support increased domestic production. According to a recent CNN poll, 73 percent of Americans support offshore drilling for oil and natural gas in the

U.S. waters in order to increase the availability of American-made energy. Yet the Democratic Congress continues to throw up roadblocks to real energy reform.

I am deeply concerned about food prices. The federal child nutrition programs serve some of the most vulnerable members of our society, and we cannot allow high food prices to prevent us from giving nutritional support to those in need.

It is time to have a real conversation about America's energy policies, and it is time to take real action to bring down prices. As today's hearing will demonstrate, the cost being borne by our children, families, schools and communities is just too great.

I yield back.

[The statement of Mr. McKeon follows:]

Prepared Statement of Hon. Howard P. "Buck" McKeon, Senior Republican Member, Committee on Education and Labor

Thank you Chairman Miller, and good morning. We're here today to examine the rising cost of food and its impact on federal child nutrition programs.

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It's time to have a real conversation about America's energy policies, and it's time to take real action to bring down prices. As today's hearing will demonstrate, the cost being borne by our children, families, schools, and communities is just too great.

I yield back.

Chairman MILLER. I thank the gentleman for his statement.

And pursuant to committee rule 12-A, any member may submit an opening statement in writing, which will be made part of the permanent record.

And, again, I would like to welcome our panel that is here today to share your thoughts and your expertise with the committee.

And we will begin with Dr. Leibtag, who is an economist with the U.S. Department of Agriculture's Economic Research Service. Mr. Leibtag researches retail food prices and the dynamics of retail food marketing. And his current projects include the CPI for food forecasting and analysis, research on food prices and food purchase behavior, and the supermarket characteristics.

Kate Houston is the USDA's deputy undersecretary for food, nutrition and consumer services. Ms. Houston is responsible for developing and promoting science-based dietary guidance in administering of USDA's 15 nutrition assistance programs.

Scott Faber is the vice president for federal affairs for the Grocery Manufacturers Association. Prior to joining the Grocery Manufacturers Association, Mr. Faber was an expert on agriculture policy for the Environmental Defense Fund.

Katie Wilson is presently serving as the president-elect of the School Nutrition Association. She has been a school nutrition director in Wisconsin for 18 years.

Pavel Matustik is going to be introduced by Mr. McKeon.

Mr. MCKEON. Thank you, Mr. Chairman.

I appreciate the opportunity to introduce our next witness. Pavel Matustik is chief administrative officer for the Santa Clarita Valley School Food Services Agency in my congressional district. The agency provides food service for five local school districts and is the lead agency for the California Commodities SUPER Co-Op.

Pavel came to the United States in 1982 after his escape from the formerly communist country of Czechoslovakia. He has more than 20 years' experience in school food services, having earned certification in hotel and restaurant management and been credentialed by the School Nutrition Association.

Pavel served as the president for the California School Food Services Association and is a recipient of the 2004 Fame Leadership Award, the 2006 Gold Fame Best Director Award, and the 2007 Silver Plate Award. It is great having a celebrity in our district.

He presently serves on the executive board of the American Commodity Distribution Association.

Welcome, Pavel.

Chairman MILLER. Thank you.

I will now recognize Mrs. McCarthy for the purpose of an introduction.

Mrs. MCCARTHY. I want to thank the chairman for this hearing, and I am pleased that I have the opportunity to introduce a constituent of mine, Mr. James Harnett.

He comes to D.C. from Mineola, New York, where he is the president and CEO of the Family and Children's Association, which serves the people of Long Island.

The Family and Children's Association offers 40 programs to Long Islanders, including a summer food program which feeds school-aged children. This program is vital for many of the kids in my district.

However, this is not his first position in service to others. Mr. Harnett's legacy of service begins with his service in the Peace Corps. He continued through his service in nonprofits seeking to improve the lives of honorable people in New York, most often in management positions. He has even served as administrator of the Department of Pediatrics at Columbia University.

Immediately prior to joining Family and Children's Association, he served as the executive vice president, COO, and secretary of cooperation of Covenant House, an organization dedicated to servicing runaway and homeless youth.

I am glad that he is here today to tell us the story of what it is like to be an on-the-ground provider of meals to children and the impact of increased food prices on his operation.

I look forward to learning about these programs from you today. And welcome.

I also want to mention that, in the past, he has raised over $100,000 so that he could feed the children of Long Island. And this happened way before the gas prices went up. And we cannot drill our way out of this problem.

Thank you.

Chairman MILLER. It is a pleasure for me to introduce Paula James from my congressional district, who is mainly here because she is the director of the Contra Costa Child Care Council Child Health and Nutrition Program.

She serves on the board of the national Child and Adult Care Food Program Forum and chairs the California Child Care Food Program Roundtable and serves on the California Department of Education Child Nutrition Advisory Council.

Welcome to the committee, and we look forward to your testimony and all of our witnesses.

We are going to begin, Dr. Leibtag, with you. When you begin, a green light in front of you is going to go on. We give you 5 minutes here. And with 1 minute remaining, a yellow light will go on. We would like you to see if you could bring your testimony to a conclusion in a coherent fashion that you are comfortable with. And then we will have time for questions from the committee when all of the panelists have testified.

Again, welcome, and thank you for your time and your expertise.

STATEMENT OF EPHRAIM LEIBTAG, ECONOMIST, U.S. DEPARTMENT OF AGRICULTURE'S ECONOMIC RESEARCH SERVICE

Mr. LEIBTAG. Good morning, Mr. Chairman and members of the committee. My name is Ephraim Leibtag. I work as an economist with the USDA's Economic Research Service. My main area of ex-

pertise is retail food prices and the dynamics of retail food markets. And I appreciate the opportunity to speak to you today about recent trends in U.S. retail food prices.

In 2008, we project the Consumer Price Index for all food will increase 4.5 to 5.5 percent, the largest increase since 1990. This acceleration in food price inflation is primarily due to higher food commodity input and energy costs.

The main factors behind higher food commodity costs include stronger global demand for food, increased U.S. agricultural exports resulting from that stronger demand, weather-related production problems in some areas of the world, and the increased use of some food commodities such as corn and soybeans for bioenergy uses.

To better analyze recent trends, we need to understand how food prices and price changes are measured. Food prices are measured by the federal government through monthly collection of prices from a representative group of food stores and food service establishments.

The All-Items CPI is composed of a number of sub-indexes, including the Food CPI. Within the Food CPI, food indexes reported for food at home, which consists of foods sold in retail outlets, and food away from home, which consists of meals, entrees and other prepared foods sold in eating and drinking establishments and noncommercial food service outlets. To obtain the Food CPI, the separate indices of the at-home and away-from-home segments are combined, using their respective expenditure shares.

Our current forecasts predict that food-at-home prices will increase 5 to 6 percent this year, while food-away-from-home prices are forecasted to increase 3.5 to 4.5 percent in 2008.

As a point of comparison, the All-Foods CPI increased 4 percent between 2006 and 2007, with food-at-home prices increasing 4.2 percent and food-away-from-home prices increasing 3.6 percent. The 15-year average increase in food prices prior to 2007 was 2.5 percent per year.

As I mentioned earlier, food commodity prices have been rising due to a number of factors. For corn specifically, these factors helped push prices from under $2 per bushel in 2005 to $3.40 in 2007 and currently over $7 as of the middle of this year. This is just one example of how commodity prices have been increasing.

These higher food commodity costs do pass through to retail prices but at a lower rate. In general, retail food prices are much less volatile than farm-level prices and tend to rise by a fraction of the change in farm prices. The magnitude of response depends on both the retailing costs beyond the raw food ingredients and the nature of competition in retail food markets.

Turning now to some specific retail food categories, fresh fruit and vegetables, meat and poultry and eggs have relatively less processing and packaging than other commodities. Changes in farm-level prices of these products have a larger impact on retail prices as a result.

There are also seasonality factors contributing to volatility of produce prices, whose supply and price variation are influenced by extremes of weather and growing conditions. Because most produce

commodities are highly perishable, supply and prices are more sensitive to adverse growing conditions.

In contrast to raw commodities, the farm value share in many processed foods is quite small, and this moderates the effect of rising prices. For example, an 18-ounce box of cornflakes contains about 13 ounces of corn. Historically, the actual value of corn represented in the box of cornflakes was about 1 percent of the cereal price. The almost 50 percent increase in corn prices in 2007 would be expected to raise the price of a box of cereal by about .5 percent, assuming no other cost increases. This implies that the near 100 percent increase in corn prices from 2007 to 2008 would increase the cornflakes price by about 1 percent.

Food service operators sometimes look at the Producer Price Index, the PPI, since it measures prices received by processors, suppliers and wholesalers. Both farm and processed products are included in the PPI, and it more closely represents the price change in food products purchased by food retailers and food service operators. For some food commodities, the PPI is more volatile than the consumer price indexes for those items.

Food service operators purchase both products with a high farm value component, such as milk, as well as more highly processed foods having lower commodity or farm value, such as cereal or pizza. Suppliers to the food-away-from-home segment offer both traditional foods requiring additional preparation, as well as highly processed, value-added foods such as heat-and-serve entrees.

So a good understanding of all of these price index measures is important when trying to predict future food costs.

Looking ahead, the department's current long-term projections indicate that retail food price inflation will gradually moderate over the next several years.

Continued expansion of biofuels production will likely maintain corn and soybean prices at historically high levels, and livestock producers may adjust to the increase in feed costs by reducing production, leading to higher retail prices for meat and poultry products in the longer term.

However, in addition, global agricultural production is expected to rebound, especially for wheat, relieving some of the pressure on retail food prices for cereal and bakery goods.

Of course, future increases in retail food prices also depend heavily on energy prices and other food marketing costs that are independent of the food commodity market.

Mr. Chairman, this concludes my statement. I will be glad to answer any questions the committee may have.

[The statement of Mr. Leibtag follows:]

Prepared Statement of Dr. Ephraim Leibtag, Research Economist, U.S. Department of Agriculture

Mr. Chairman and Members of the Committee, my name is Ephraim Leibtag and I am an economist with the USDA's Economic Research Service researching retail food prices and the dynamics of retail food markets. I appreciate the opportunity to speak to you today about trends in U.S. food prices.

In 2008, the Consumer Price Index (CPI) for all food is projected to increase 4.5 to 5.5 percent, as retail prices reflect higher commodity and energy costs. The main factors behind higher food commodity costs include stronger global demand for food, increased U.S. agricultural exports resulting from stronger demand, weather-related

production problems in some areas of the world, and the increased use of some food commodities, such as corn, for bioenergy uses.

Food-at-home prices are forecast to increase 5.0 to 6.0 percent, while food-away-from-home prices are forecast to increase 3.5 to 4.5 percent in 2008. The all-food CPI increased 4.0 percent between 2006 and 2007, the highest annual increase since 1990. Food-at-home prices, led by eggs, dairy, and poultry prices, increased 4.2 percent, while food-away-from-home prices rose 3.6 percent in 2007.

Because a full assessment of crop damage was not available at the time of this forecast, this update does not explicitly account for potentially higher corn and soybean prices due to crop damage from recent flooding in the Midwest. Estimates of the impact of potential supply disruptions on food prices will be included in this data series once an assessment of the flood losses becomes available.

Measuring Food Price Change

To better understand recent trends, we need to know how food prices and price changes are measured. Food prices are measured by the Federal government through monthly collection of prices from a representative group of food-stores and foodservice establishments. Items selected for price measurement cover all consumer goods and services.

The Federal government has two basic measures of price change, both of which compare prices in a base year to prices in a current year: The Consumer Price Index (CPI), and the Producer Price Index (PPI). For products purchased by consumers, the All-Items CPI is used to represent average increases or decreases in prices paid for retail goods and services. The All-Items CPI is composed of a number of sub indexes, including the Food CPI.

There are separate food indexes reported for food-at-home, which consists of food sold in retail outlets, and food-away-from-home, which consists of meals, entrees, and other prepared foods sold in eating and drinking establishments, and non-commercial (institutional) foodservice outlets. To obtain the Food CPI, the separate indices of the at-home and away-from-home segments are combined, using their respective expenditure shares.

Food accounts for 13.8 percent of all expenditures in the All-Items CPI. Of total expenditures, food-at-home accounts for 7.66 percent while away-from-home accounts for the remaining 6.17 percent.

May 2008 Retail Food Prices Compared to Last Year

The CPI for all food in May 2008 is 5.1 percent higher than the May 2007 level. The food-at-home index is 5.8 percent above last May, while the food-away-from-home index is 4.3 percent above last May. The all-items CPI is currently 4.2 percent above the May 2007 level.

Beef prices are 1.5 percent above last May, as higher energy and feed costs have begun to increase beef prices. Pork prices, while increasing in recent months, are down 0.6 percent from last May's level. Strong short-term pork supplies have been the main factor behind recent retail price declines, but pork prices may rise over the next 2 years as current supplies are sold and future production slows due to higher production costs. Poultry prices are up 4.5 percent from last year at this time. Higher feed and energy costs in 2007 and early 2008 have caused poultry prices to rise faster than normal over the past 18 months.

Egg prices are 18.2 percent above the May 2007 level. Increased demand overseas and higher prices for chicken feed lead to higher egg prices at grocery stores. Dairy prices are up 11.0 percent from the May 2007 level. Within the dairy category, prices changed as follows: milk prices are 10.2 percent above last May's prices; cheese prices are 14.0 percent above last May's level; ice cream and related product prices are 5.9 percent above last May; and butter prices are 3.8 percent above last May.

Fresh fruit prices are up 4.7 percent from last year at this time, with apple prices up 7.4 percent and banana prices up 21.7 percent, while orange prices are down 15.3 percent. Since last year at this time, fresh vegetable prices are up 1.8 percent, with lettuce prices up 1.0 percent, tomato prices up 4.0 percent, potato prices up 3.5 percent, and other fresh vegetable prices up 0.5 percent.

Cereals and bakery product prices are up 10.5 percent from last year at this time as higher wheat, corn, and energy prices have pushed up production costs for these products. Sugar and sweets prices are 5.5 percent above last May. Within the non-alcoholic beverages category, carbonated drink prices are up 2.8 percent from May 2007; coffee prices are 8.5 percent higher than last May; and non-frozen noncarbonated juices and drinks prices 7.7 percent above the May 2007 level.

Why Higher Food Prices?

Record U.S. trade, driven by economic growth in developing countries and favorable exchange rates, combined with tight global grain supplies, resulted in record or near-record prices for corn, wheat, soybeans, and other food and feed grains in 2007 and 2008. For corn, these factors, along with increased demand for ethanol, helped push prices from under $2 per bushel in 2005 to $3.40 per bushel in 2007, and over $7 as of the middle of this year. Higher corn prices motivated farmers to increase corn acreage in 2007 at the expense of other crops, such as soybeans and cotton, raising their prices as well.

What effect do these higher commodity costs have on retail food prices? In general, retail food prices are much less volatile than farm-level prices and tend to rise by a fraction of the change in farm prices. The magnitude of response depends on both the retailing costs beyond the raw food ingredients and the nature of competition in retail food markets.

Several key factors influence how an input cost increase affects the prices of food under conditions of competition. For a given increase in an input's cost, the larger will be an increase in the food product's price when:

- The share of the input in the total cost of producing food products is larger.
- The input has fewer good substitutes in the food production process—that is, few other inputs or processes could be used to produce the food product.
- Consumers have few good substitutes for the food product, in which case consumers do not decrease purchases substantially when the price is higher.
- Prices are expected to remain high for a long period of time.

Retail prices for fresh fruits, vegetables, and eggs have a relatively high farm value share compared to other commodities. Changes in farm-level prices of these products have a larger impact on retail prices as a result. There are also seasonality factors contributing to volatility of produce (fresh fruits and vegetables) prices. Produce supply and price variation are also influenced by extremes of weather and growing conditions, such as droughts, floods, freezes, and pests. Because most produce commodities are highly perishable, supply and prices are highly sensitive to adverse growing conditions.

In contrast to raw commodities, the farm value share in many processed products is quite small, which moderates the effect of rising prices. For example, an 18-ounce box of corn flakes contains about 12.9 ounces of milled field corn. When field corn is priced at $2.28 per bushel (the 20-year average), the actual value of corn represented in the box of corn flakes is about 3.3 cents (1 bushel = 56 pounds). (The remainder is packaging, processing, advertising, transportation, and other costs.) At $3.40 per bushel, the average price in 2007, the value is about 4.9 cents. The 49-percent increase in corn prices would be expected to raise the price of a box of corn flakes by about 1.6 cents, or 0.5 percent, assuming no other cost increases.

Prices Paid by Food Service

The Producer Price Index, measures prices received by processors, suppliers, and wholesalers, depending on the product. Both farm and processed products are included in the PPI. Similar to the CPI, the indexes are reported monthly and annually. The PPI should more closely represent the price change in food products purchased by food retailers and food service operators. For many food commodities, the PPI is much more volatile compared with consumer price indexes.

Food service operators purchase both products with a high farm value component, such as milk or apple juice, as well as more highly processed foods having lower commodity/farm value, such as cereal or pizza. Suppliers to the food-away-from-home segment offer both traditional foods requiring additional preparation, as well as highly processed, value-added foods such as heat-and-serve entrees.

Looking Ahead

The Department's current long-term projections indicate that retail food price inflation will gradually moderate over the next several years. Continued expansion of biofuels production will likely maintain corn and soybean prices at historically high levels and livestock producers will adjust to the increase in feed costs by reducing production, leading to higher retail prices for beef and pork in the longer term. In contrast, future upward movements in retail dairy product prices may be limited following the strong increase in 2007. In addition, global agricultural production is expected to rebound, especially for wheat, relieving some of the pressure on retail food prices for cereal and bakery products. Of course, future increases in retail food prices depend heavily on energy prices and other food marketing costs.

Mr. Chairman, this concludes my statement. I will be glad to answer any questions the Committee may have.

Chairman MILLER. Thank you.
Ms. Houston?

STATEMENT OF KATE HOUSTON, DEPUTY UNDER SECRETARY FOR FOOD, NUTRITION AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE

Ms. HOUSTON. Thank you, Mr. Chairman and members of the committee. I appreciate the opportunity to join today's important discussion about the impact of rising food costs on federal child nutrition programs.

The child nutrition programs provide nutritional assistance to children in schools, child-care settings, as well as summer activities sites. They strengthen our country by safeguarding the health and well-being of the nation's children.

Federal support is critical to the success of these programs. This administration has continually demonstrated a strong commitment. For fiscal year 2009, the president has requested $14.5 billion for child nutrition programs.

The school meal programs are the cornerstone of the child nutrition programs. Each day, the National School Lunch and Breakfast Programs serve more than 31 million school meals, designed to meet the dietary guidelines.

Today I would like to briefly describe how USDA provides federal support for these programs.

The meals programs are financed through a variety of revenue streams, which include federal cash reimbursements and commodity donations, student payments for paid and reduced-price meals, revenue from a la carte sales, state and in some cases local funding.

Federal reimbursements are an important source of support, contributing to just over half of the total resources available to school food authorities.

Schools receive cash reimbursements on a per-meal basis. Reimbursements are established by law, and these payments are adjusted annually to reflect changes in food and labor costs based on the Food Away From Home series of the Consumer Price Index.

The cash reimbursement rates for the school year 2009 were published this week in the Federal Register. The adjusted reimbursement rates for schools and child-care institutions will reflect a 4.272 percent increase over the preceding school year.

Most schools with a relatively high proportion of low-income students will receive an additional 10 cents or $2.59 for each free meal served, an additional 7 cents or $1.68 for each free breakfast served in the upcoming school year.

In addition to cash reimbursements, schools participating in the School Lunch Program receive USDA-donated food for each lunch served. On the average day, the commodity entitlement contributes approximately 15 to 20 percent of the food served in the school lunch line. The value of donated commodities to be provided in 2009 is 20.75 cents per meal. This is an 11 percent increase over the last school year.

In total, these adjustments will add another $450 million to the cash reimbursements and commodity entitlements for school year

2009. That is including our projected increase in participation for school year 2009.

While the annual adjustments in the cash reimbursements and commodity entitlements help schools mitigate the effects of rising costs over time, we will hear today how near-term increases in food costs are creating challenges for many schools and other program providers.

It is important to note, however, that food costs are just one part of the total picture. They account for well under half of all the food service operational costs.

Like families at home, schools face a real challenge in providing quality meals on a tight budget. Now more than ever local program operators must examine opportunities to effectively manage resources and balance operating costs with revenue. USDA is committed to assist schools with these efforts.

For example, we help schools to maximize use of the federal commodity entitlement. USDA's donated commodities allow schools to allocate a greater share of their cash revenues to other operating expenses. We also provide training and technical assistance in procurement and contracting practices to assist schools in obtaining quality products and services at the lowest possible unit cost.

As schools seek to mitigate rising food costs, it is critical that program operators maintain the nutritional quality of the meals made available to children. FNS recently released a fact sheet providing practical suggestions for strategies that may be helpful in controlling costs without compromising nutrition.

School districts might also explore opportunities to increase revenues by examining the amounts of charges for paid meals and a la carte items and implementing marketing strategies to increase meal service participation. Schools establish these prices and can make adjustments as necessary to ensure that prices reflect the value of meals and other foods sold and contribute appropriately to the bottom line of food service operations.

I will end with a little bit of good news. Schools will soon benefit from additional commodity resources provided in the 2008 farm bill. The new law incrementally increases the amounts of resources USDA will obligate for the purchase of fruit, vegetables and nuts from $393 million in 2009 up to $406 million in 2012 and each year thereafter. We anticipate a significant portion of these additional resources will be directed toward schools.

Mr. Chairman, the USDA recognizes that rising food costs challenge the food security and dietary quality of low-income individuals and households. At times when people are facing economic challenges, our programs are available to provide nutrition assistance, and the school meals programs are a critical component of the nation's nutrition safety net.

The USDA is committed to continue our work with our state and local partners for the effective and efficient operation of child nutrition programs. We want to ensure that our children have access to healthy meals.

I appreciate the opportunity to testify and look forward to any questions you may have.

[The statement of Ms. Houston follows:]

Prepared Statement of Kate Houston, Deputy Under Secretary, Food, Nutrition and Consumer Services, U.S. Department of Agriculture

Good morning, Mr. Chairman and Members of the Committee. I am Kate Houston, Deputy Under Secretary for Food, Nutrition and Consumer Services (FNCS) at the U.S. Department of Agriculture (USDA). Thank you for the opportunity to join you this morning to discuss the impact of rising food costs on Federal Child Nutrition Programs.

USDA's Food and Nutrition Services (FNS) is responsible for administering 15 Federal nutrition assistance programs, which serve as the Nation's first line of defense against hunger and reach one in five Americans every year. At times when people are facing economic challenges, our programs are there to provide individuals and households with nutrition assistance. The Child Nutrition Programs play a vital role in the Federal nutrition safety net.

This Administration continues to demonstrate strong commitment to the nutrition assistance programs. Since 2001, funding for the nutrition assistance programs increased more than 76 percent to $60.1 billion in fiscal year 2008, and accounts for over half of USDA's annual budget. In fiscal year 2009, the President's budget requested $14.5 billion for the Child Nutrition Programs.

The school meals programs are the cornerstone of our Child Nutrition Programs. Each school day, the National School Lunch Program (NSLP) and School Breakfast Program (SBP) serve more than 31 million school children of all economic backgrounds with well-balanced, healthy meals designed to meet the Dietary Guidelines for Americans. The school meals programs strengthen our country by safeguarding the health and well-being of the Nation's children.

The school meals programs are largely financed through Federal cash reimbursements and commodity donations. Federal assistance for school meals is an important source of revenue, but is not intended to be the only source of such support to schools. Federal assistance constitutes just over half of the revenue received by school food authorities. Student payments for paid and reduced price meals, revenues from a la carte sales, and State and local funding provide the balance of funds.

In the current environment, the challenge facing school meal service is to ensure that all of these resources are being used to their fullest potential to support the service of healthy school meals. We have, and will continue to, assist schools to make the most effective use of the full range of available resources. We work with State and school food service authorities to promote the most effective use of Federal commodity dollars. Our commodity support allows schools to take advantage of the Federal government's large volume purchasing power, often allowing the procurement of commodities at a lower unit cost than if a school were purchasing product on its own. We also provide training and technical assistance in procurement and effective contracting practices to assist schools in obtaining quality products and services at the lowest cost.

While much of today's discussion may focus on the Federal support for school meals—and I will now describe how the Federal reimbursement process works—it is important to keep in mind that this is only one of the resources available for supporting the school meal service.

Schools receive reimbursements on a per meal basis. School meal reimbursements are established by law, and as required by law, the payments are adjusted each year to reflect changes in food and labor costs based on the Food Away From Home series of the Consumer Price Index for All Urban Consumers (CPI-U). The CPI-U is a measure of the average change over time in the prices of consumer items—goods and services that people buy for day to-day living, based on data on the prices of thousands of items collected by the Bureau of Labor Statistics. The CPI-U is the accepted index used by a number of government programs to adjust the value of payments they provide to reflect the real cost of goods and services. The Food Away From Home series reflects changes in the cost of commercial meal service and is constructed from meal pricing data, which include food and labor costs gathered from restaurants and other food service establishments including workplace cafeterias and vending machines. Annual adjustments in the Food Away From Home series of the CPI-U are based on a twelve month cycle ending in May of the current year.

Public and nonprofit private schools and residential child care institutions that participate in the NSLP and SBP receive cash reimbursements from the USDA for each meal served at the free, reduced-price and paid levels. The reimbursement rates or National Average Payments (NAPs) for lunches are adjusted annually pursuant to section 4 and section 11 of the Richard B. Russell National School Lunch Act. The rates for breakfasts are adjusted annually pursuant to section 4 of the Child Nutrition Act of 1966. The National School Lunch Act established a minimum

reimbursement rate of 10.5 cents for all lunches served to children as part of the NSLP in 1981. The rate is adjusted annually using the CPI-U for Food Away From Home as prescribed by law, and is 23 cents for school year 2007-2008. This base rate is the full amount for paid meals and a portion of the reimbursement rate for the free and reduced price lunches. Section 11 of the law provides additional funding (Special Assistance) for free and reduced price meals. The rate for free lunches in School Year 2007-2008 is $2.47. The NAP for each reduced price lunch served is 40 cents less than the reimbursement rate for the free lunch. The statutes also require that the annual adjustment of these rates, which is published in July, be rounded down to the nearest cent.

The reimbursement rates vary depending on a school's economic circumstances and location. Schools with higher proportions of low-income students, or greater than 60 percent of students determined to be eligible for free or reduced price meals, receive higher reimbursement rates at lunch. At breakfast, schools in which 40 percent or more of the students are low-income receive a higher reimbursement rate for meals served. Schools in Alaska and Hawaii receive a higher reimbursement rate because of higher cost of living.

The NAPs for the upcoming school year, July 1, 2008 to June 30, 2009, were published in the Federal Register on July 7, 2008. The reimbursement rates for schools and residential child care institutions for SY 2009 (July 1, 2008 through June 30, 2009) will reflect a 4.272 percent increase in the CPI-U Food Away from Home during the 12-month period May 2007 to May 2008. Most schools with a relatively high proportion of low-income students will receive $2.59 for each free lunch served and $1.68 for each free breakfast served in school year 2009 compared to $2.49 for each free lunch and $1.61 for each free breakfast served in school year 2008.

Assuming schools serve a comparable number of school meals in the 2009 school year as were served in 2008, about $400 million in additional reimbursements will be distributed. USDA's budget projections for 2009 reflect this increase in reimbursement as well as expected growth in program participation.

In addition to cash reimbursements, schools participating in the NSLP receive a USDA commodity entitlement for each lunch served. The value of the commodity entitlement that will be provided in school year 2009 is 20.75 cents per meal, an 11 percent increase compared to 18.75 cents in school year 2008. On an average day, the commodity entitlement contributes approximately 15 to 20 percent of the product served on the school lunch line. The remaining 80 to 85 percent is purchased from commercial markets using the cash assistance provided by USDA, funds provided by State and local governments, children's payments for reduced price and paid lunches, proceeds from vending machines, catering activities and other funds earned by or provided to the school food service.

Recent data from a USDA study released in April 2008 indicate that over time combined Federal cash and commodity reimbursements have kept pace with costs accrued by school food service for the production of school meals. According to the study, on average, Federal reimbursements more than cover the costs incurred by school food service to produce school lunches. The annual adjustments in the cash and commodity reimbursement rates help schools deal with rising costs over time; however, near-term cost increases can be challenging to schools.

To address financial pressures resulting from higher costs, individual school districts make a number of decisions that influence the cost of operating the school meals programs. For example, schools may choose to examine procurement practices and other opportunities to maximize use of available resources, and to gain greater administrative efficiencies in their food service operations.

Decisions by school districts also affect their ability to balance costs with revenue. One facet schools may choose to examine is the amount charged for a paid meal. According to the most recent available research data from the USDA School Lunch and Breakfast Cost Study II, on average, the combination of reimbursements and student charges for paid meals equals only 82 percent of the reimbursement that schools receive to support the service of a free meal. This suggests that in some schools, Federal reimbursement for meals served to low income students are effectively subsidizing meals served to higher income students. Another area schools may choose to review is their charges for a la carte items. Schools establish these prices and can make adjustments as necessary to ensure that a la carte contributes appropriately to the cost of the food service operations.

USDA supports schools with guidance and training to assist them in responding to tight budgets and rising costs without compromising the nutritional quality of school meals. FNS recently released "Meeting the Challenge of Rising Food Costs," a fact sheet providing practical suggestions for strategies that may be helpful in controlling costs. This fact sheet also contains links to other financial management resources which may be helpful to schools.

Furthermore, schools will benefit from new funding provided in the Farm Bill. The Farm Bill increased the amount of funds for purchases of fruits, vegetables, and nuts from $200 million in FY 2007 to $390 million in FY 2008, $393 million in 2009, $399 million in 2010, $403 million in 2012, and $406 million each year thereafter. A significant portion of the additional purchases of these products will be directed to schools, with the remaining funds used for other domestic nutrition assistance programs.

In conclusion, I want to reiterate USDA's commitment to help ensure that no one in America goes hungry. We recognize that our nutrition assistance programs, especially the NSLP, are critical to ensuring our children get a good healthy meal. State and local agencies play a vital role in ensuring the effective and efficient preparation of nutritious school meals, the healthier alternative, for our children. We will continue to work with our State partners and local school districts to identify creative ways to maximize their resources. I appreciate the opportunity to testify before the Committee today and would be happy to answer any questions.

Chairman MILLER. Thank you.

Mr. Faber?

STATEMENT OF SCOTT FABER, VICE PRESIDENT FOR FEDERAL AFFAIRS, GROCERY MANUFACTURERS ASSOCIATION

Mr. FABER. Thank you, Mr. Chairman.

As we have already heard, food prices are rising at twice the rate of inflation, or the fastest level in almost two decades. And there are many factors contributing to the increased price of commodities and ultimately the increased price of food, including poor weather, export restrictions put in place by other nations, rising demand for food globally, especially in places like China and India, the weak dollar, higher energy prices certainly a factor, and changes in the commodities markets.

But the most significant new factor since 2006 and the only factor affecting food and feed prices that is under the control of the Congress is the significant and sudden increase in food-to-fuel production. This year, corn ethanol production will divert roughly one-third of the U.S. corn crop, up from 24 percent in 2007.

And the rapid expansion of corn ethanol production just in the last few years is the dominant factor in the 200 percent increase in corn prices since the 2005 crop year. Experts, including former USDA chief economist Keith Collins, estimate that ethanol production is responsible for as much as 60 percent of the increase in corn prices between the 2006 and 2008 crop years.

And this expansion not only impacts the price of corn, but also creates a competition for land that increases the price of other commodities, including soybeans, ultimately vegetable oils. And I am sorry to say this problem is not going to get better; it is going to get significantly worse in the coming years.

As food-to-fuel production increases in response to recently enacted federal mandates and existing subsidies and more corn and more vegetable oil are diverted to our fuel supplies, food prices will continue to increase. In the next few years, roughly 40 percent of our corn crop and about 30 percent of our vegetable oils will be diverted to our fuel supplies to comply with recently enacted congressional mandates.

And experts predict that annual food inflation will average 9 percent, up from 6 percent this year, between 2008 and 2012, as the impact of rising commodity prices are slowly reflected in retail food prices. In particular, the price of milk, meat and eggs will rise dra-

matically in response to higher feed prices and in response to reductions in herd size.

Unfortunately, this significant increase in food-to-fuel production has done very little to displace gasoline. Overall ethanol production in 2007 displaced less than 4 percent of the nation's gasoline supplies when energy values are considered.

And we think that freezing these food-to-fuel mandates and revisiting these subsidies to address runaway food inflation and to address some new environmental concerns that have been raised would certainly not increase gasoline prices. In fact, failing to freeze these mandates could actually increase gasoline prices, as the cost of producing ethanol increases in response to high corn prices.

One problem with these mandates, Mr. Chairman, is that ethanol takes up the same share of the corn crop regardless of supply. So, in other words, ethanol is not only eating more of the corn crop, ethanol gets to eat first.

And this year serves as a perfect example of that problem. The wet spring and flooding have reduced expected corn yields from roughly 12 billion bushels to roughly 11 billion bushels. But because of our federal food-to-fuel mandates, ethanol will still use 4 billion bushels, forcing food and feed to compete for the balance, driving up food prices.

And this problem is exacerbated by the fact that commodity stocks are at their second-lowest level in 49 years.

Let me just conclude by reiterating that many factors are contributing to high food prices, including dramatic increases in global demand and the rising cost of energy. Food-to-fuel production is certainly not the only culprit in runaway food inflation, but it is precisely because of these other factors that we would revisit policies that artificially and needlessly increase the price of food.

And I urge members of this committee to work with members of the Committee on Energy and Commerce and the Committee on Ways and Means to consider ways to freeze and perhaps re-evaluate our food-to-fuel mandates, to lift tariffs on imported biofuels, especially biofuels that hold enormous promise to meet some of our energy needs without pitting our energy needs against our hunger and environmental needs, and to reform our tax credits to promote the development of these second-generation or cellulosic and advanced biofuels.

And, again, let me just reiterate that we certainly support biofuels, we certainly see a place for biofuels in our fuel mix. But we think it is critically important that our biofuels policy doesn't pit our energy needs against the needs of the hungry and the environment.

Thank you, Mr. Chairman.

[The statement of Mr. Faber follows:]

Prepared Statement of Scott Faber, Vice President for Federal Affairs, Grocery Manufacturers Association

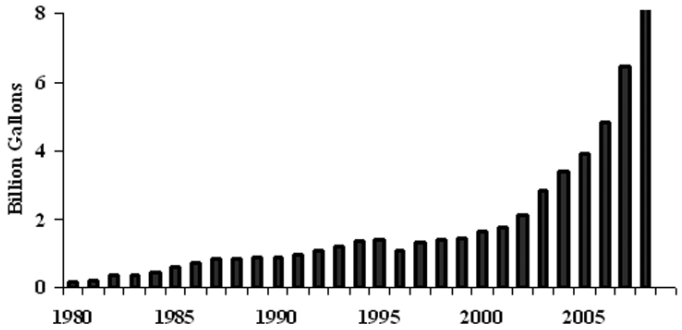
Thank you for the opportunity to testify on the rising cost of food and its impact on federal child nutrition programs. The Grocery Manufacturers Association strongly supports child nutrition programs, such as the Women, Infants and Children Program and the National School Lunch Program, and recognizes the strain that runaway food inflation places on their successful implementation.

In general, there are seven factors contributing to the sharp increase in US and global food prices: poor weather, export restrictions, rising demand for food globally, the weak dollar, higher energy prices, and changes in commodities markets. In particular, strong foreign economic growth has increased demand for US exports and contributed to high grain and oilseed prices. Between 2003 and 2007, annual average real GDP increased by 4.6 percent, compared with 3.2 percent in the prior five years. In emerging and developing economies, annual average real GDP increased by 7.3 percent, compared with 4.1 percent for the prior five years.[1] As households improve their incomes and purchasing power, they shift from traditional staples to high-value foods, such as meat and dairy products.[2] In addition, many nations have placed limits on food exports to manage domestic food inflation, pushing international market prices higher than supply and demand conditions would otherwise dictate.[3]

However, the most significant new factor and the only factor affecting food and feed prices that is under the control of the Congress, is the sudden and significant increase in food-to-fuel production. I have attached analyses by the World Bank,[4] IMF,[5] UN FAO,[6] CRS,[7] USDA-ERS,[8] IFPRI,[9] Oxfam[10] and by former USDA Chief Economist Keith Collins[11] which document the combination of factors contributing to US and global food prices and the significant role of food-to-fuel production. In general, the rapid expansion of corn ethanol and bio-diesel production has increased demand for corn and vegetable oil, increased the price of products which use corn and vegetable oil as ingredients, and increased the price of other crops that compete with corn and soybeans for land.

Commodity prices are rising at dramatic rates. Since the 2005-2006 crop year, farm-level corn prices have increased more than 200 percent, and farm-level soybean prices have increased more than 135 percent.[12] Although there are many factors contributing to increases in commodity prices, the recent surge in ethanol production is one of the most significant factors. Between 2006 and 2008, US corn ethanol production accounted for 75 percent of the growth in global demand for coarse grain and 50 percent of the growth in demand for all grains.[13] Collins estimates that corn ethanol could be responsible for as much as 60 percent of the expected increase in corn prices between the 2006 and 2008 crop years.[14] As Collins notes, "the increase in corn demand due to ethanol is rising faster than growth in corn yields per acre. So long as that situation continues, corn will have to attract acreage from other crops to meet its expanding demand. This shift will mean higher prices for all crops that compete, directly or indirectly, for acreage with corn."[15]

U.S. Ethanol Production 1980-2008



Food prices are now rising at twice the overall rate of inflation. Because the price of basic commodities has dramatically increased, domestic food prices rose by 4.9 percent during 2007—twice as fast as inflation and the largest increase in 17 years. Food prices for the previous three months have increased at a seasonally adjusted annualized rate of 6.3 percent, and studies predict that annual food price inflation will average 9 percent between 2008 and 2012 as the impact of rising commodity prices are slowly reflected in retail prices.[16] Although there are many factors contributing to food price inflation, the rising cost of commodities—driven in large measure by growing food-to-fuel production—is expected to cause food prices to rise 23 to 35 percent faster than historical increases in food prices.[17] In particular, the price of animal products will continue to rise dramatically in response to higher feed prices.[18] Between May 2005 and May 2008, food-to-fuel production contributed to

increases in the costs of basic staples like eggs (62.8 percent), whole milk (17.2 percent), and whole chicken (13.5 percent).[19] The price of these products is particularly sensitive to the rising cost of feed grains.

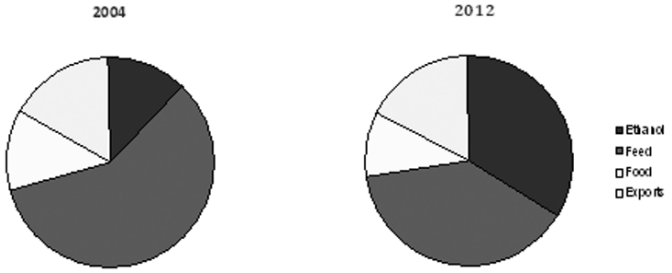
Rising food prices fall most heavily on the poor. These price increases fall most heavily on the poorest 20 percent of Americans who spend roughly one-third of their after-tax income on food and on the global poor who spend as much as 70 percent of their income on food. Rising commodity prices have pushed global food prices up 83 percent over the last three years[20]—and by 57 percent in the last year—pushing 50 million people into poverty in 2007 alone, according to the UN FAO. In combination, rising prices and declining commodity stocks have forced global food aid programs to ration food, and have contributed to food riots and protests in more than 30 countries. Rising food inflation in the developing world is not merely a food security issue, but is a national security issue. The World Bank warns that 33 nations are at risk of social unrest because of the rising price of food.[21]

Rising food prices pose significant budgetary challenges. Although potential outlays are difficult to estimate, government spending will increase significantly as food prices rise. Many federal programs linked entirely or in part to the Consumer Price Index (CPI), including anti-hunger assistance programs and child nutrition programs. The CPI is often used to adjust federal payments, determine program eligibility, and to provide cost-of-living adjustments to millions of workers. Overall, the CPI affects the income of about 80 million people, including 51.6 million Social Security beneficiaries, 21.3 million food stamp recipients, about 4.6 million military and civil service retirees or survivors, and more than 2 million workers impacted by collective bargaining agreements. In particular, changes in the CPI affect the cost of school lunches for 28.4 million children.[22] Rising food prices will impact federal outlays in three ways: by automatically increasing federal expenditures on programs linked all or in part to the CPI; by reducing the number of households and students that can be served by programs, such as the WIC program; and by forcing appropriators to reduce discretionary spending for other programs to address shortfalls.

Rising feed prices are causing severe economic harm for livestock producers. Although some crop farmers have benefited from high commodity prices, many more livestock producers are facing unprecedented losses. The higher costs of corn and soybean meal[23] have translated directly into higher feed costs for all livestock producers.[24] Feed costs climbed by over $15 billion between 2005 and 2008 due to higher prices for corn and other grains.[25] Moreover, feed costs will continue to remain well above historic levels through 2017 as food-to-fuel mandates are fully implemented.[26] In 2008-09, for example, food-to-fuel mandates are estimated to increase the cost of livestock production by as much as $17.7 billion.[27] Ultimately, the increased cost of feed will be passed on to consumers in the form of higher food prices. As feed costs rise, meat and poultry production will decline and many livestock farmers will be forced out of business. Producers at greatest risk of failure are poultry, dairy, hog and beef producers who do not produce their own feed grains.[28]

Historically low commodity stocks pose severe economic consequences. Global stocks of several major commodities are at or near historic lows—particularly when measured as a share of total usage.[29] For example, global end-of-year stocks for coarse grains and wheat are projected to drop by mid-2008 to the lowest levels since 1977, while ending stocks of total grains will fall to the lowest levels since 1981. In particular, a rapid increase in the production of ethanol combined with a decline in corn plantings will likely result in the second lowest level of corn stocks relative to consumption in 49 years. Increasing the use of corn for ethanol by 33 percent in 2008 will contribute to a 40 percent reduction in the corn inventory.[30] For most commodities, annual prices tend to have a strong negative correlation with the ending stocks-to-use ratio.[31] Reduced yields in 2008 caused by a wet spring and flooding combined with surging ethanol production and low commodity stocks are already resulting in dramatic increases in crop prices.

Food prices will continue to rise as more and more corn and soybean oil are diverted to our fuel supplies. Unless the Congress and the Administration act this year to revise federal food-to-fuel mandates, commodity prices will continue to rise as more and more food is diverted to our fuel supplies. In 2008, roughly one-third of U.S. corn supplies will be diverted to produce fuel. In the coming years, 40 percent or more of the U.S. corn crop and as much as 30 percent of U.S. vegetable oils will be diverted from our food supplies to our fuel supplies. Because commodity prices will remain high in response to these mandates, food prices are expected to increase by 9 percent annually between 2008 and 2012.[32]



Unfortunately, food-to-fuel policies have no impact on gasoline prices. Because ethanol displaces a small fraction of the US gasoline supply and a tiny fraction of global crude supplies, food-to-fuel mandates will have no impact on gasoline prices. Overall, ethanol production in 2007 displaced less than 4 percent of the nation's gasoline supplies in 2007, when relative energy values are considered. Consequently, freezing the mandate at the levels blended in 2007—that is, reducing the mandate from 9 and 10.5 billion gallons to levels blended into fuel supplies in 2007—would not increase gasoline prices. In fact, failure to revise food-to-fuel mandates could marginally increase gasoline prices under some scenarios. Eventually, rising demand for corn to produce ethanol will increase the cost of producing ethanol and result in higher prices at the pump.[33]

And, food-to-fuel policies harm the environment. Diverting food crops to our fuel supplies has artificially increased the price of commodities, accelerating the conversion of pasture and forest lands to crop production at home and around the globe. Current and expected conversion of pasture and forest lands will release carbon into the atmosphere and reduce the availability of carbon "sinks" that help sequester carbon. In addition, increased production of row crops of uncultivated land has increased water pollution, compounded water shortages, and contributed to the loss of habitat for wildlife. In particular, increased fertilizer use associated with expanded crop production has increased the amount of nitrogen and phosphorous being washed into rivers and bays, including the Chesapeake Bay and the Gulf of Mexico, and will increase ground-level ozone in some regions. Increasing the use of distiller's grain—a byproduct of ethanol production that is fed to animals but has less nutritional value than feed—increases the amount of phosphorous reaching waterways.

Although this Committee does not have jurisdiction over food-to-fuel mandates, subsidies, and tariffs, I urge you to work with the Committee on Energy and Commerce and the Committee on Ways and Means to revisit and restructure our food-to-fuel policies to accelerate the development of fuels that do not pit our energy needs against the needs of the hungry and the environment.

Congress should freeze food-to-fuel mandates. In light of crop reports and perilously low commodity stocks, Congress and the Administration should act now to reduce the federal food-to-fuel mandate for 2008 and 2009 to production levels for 2007 and should revisit and revise food-to-fuel mandates, subsidies and tariffs to reflect changing economic conditions and new questions regarding the economic and environmental costs of fuels made from food crops. Freezing the mandate would result in immediate reductions in the price of corn. A recent study by FAPRI estimated that implementation of the RFS increased corn prices by 19 percent.[34] A separate study by IFPRI concluded that a freeze of biofuel production at 2007 levels would reduce global corn prices.[35] These studies do not take into account significant declines in yields in 2008, which are amplifying the impact of increased ethanol production on corn prices.

Congress should accelerate the development of sustainable bio-fuels. Congress should revisit and reform food-to-fuel mandate schedules, subsidies and tariffs to gradually reduce our reliance on food as an energy feedstock, and to accelerate the development of bio-fuels that do not pit our energy needs against the needs of the hungry or the environment. In particular, Congress should accelerate the development of cellulosic and advanced bio-fuels derived from fuel feedstocks that do not increase food or fiber prices and that and improve the environment. To accelerate the development of such fuels, which could displace far more gasoline than corn ethanol, Congress should eliminate the 54 cent tariff on imported bio-fuels and should consider reforms to federal tax credits to reward the production of sustainable bio-fuels.

Congress should accelerate global agricultural development. Congress should take steps to expand hunger assistance programs to help address the impact of food inflation at home and abroad. What's more, Congress should also provide new funds to increase the productivity and sustainability of agricultural lands in the developing world. Between 2003 and 2007, global usage of coarse grains like corn grew by 3.4 percent. At the same time, annual growth in agricultural productivity is slowing. Between 1970 and 1990, production rose by an average of 2.2 percent per year. Since 1990, the growth rate has declined to about 1.3 percent. Projections for US and world agriculture see the rate declining to 1.2 percent per year between 2009 and 2017.[36]

In conclusion, we urge Congress to revisit the food-to-fuel mandates in light of dramatic increases in food prices and new questions about the environmental costs of fuels derived from food crops. Although there are many factors contributing to record food inflation—including increasing global demand, export restrictions, poor weather, commodity speculation, and higher energy prices—a significant new factor and the only factor affecting food and feed prices that is under the control of Congress is food-to-fuel mandates and subsidies diverting food into our fuel supplies.

ENDNOTES

[1] Collins, Keith. "The Role of Biofuels and Other Factors in Increasing Farm and Food Prices," prepared for Kraft Global Food, June 2008.

[2] CRS, High Agricultural Prices: What are the Issues?, May 6, 2008, at 17 (hereinafter "CRS")

[3] CRS, at 21

[4] "Rising Food Prices: Policy Options and World Bank Response," World Bank, April 2008.

[5] International Monetary Fund, "World Economic Outlook, Globalization and Inequality," October 2007.

[6] UN FAO, Soaring Food Prices: Facts, Perspectives, Impacts and Required Actions, June 2008.

[7] CRS, High Agricultural Prices: What are the Issues?, May 6, 2008.

[8] USDA, ERS, Global Agricultural Supply and Demand: Factors Contributing to The Recent Increase in Food Commodity Prices, May 2008.

[9] Von Braun, Joachim. "Biofuels, International Food Prices, and the Poor." International Food Policy Research Institute (IFPRI). June 12, 2008.

[10] "Another Inconvenient Truth: How biofuel policies are deepening poverty and accelerating climate change," Oxfam International, June 26, 2008.

[11] Collins, Keith. "The Role of Biofuels and Other Factors in Increasing Farm and Food Prices," prepared for Kraft Global Food, June 2008. (Hereinafter "Collins")

[12] USDA, World Agricultural Supply and Demand Estimates, June 2008.

[13] Id.

[14] Collins. Collins finds that ethanol could account for 60 percent of the expected increase in corn prices between 2006/07 and 2008/09 when market demand and supply are inelastic with respect to price—that is, a period when stocks are very low, feed use is slow to respond, export demand is strong due to foreign agricultural policies, and acreage is very constrained.

[15] Id.

[16] Advanced Economic Solutions, Rising Commodity Prices and their Impact on US Food Inflation, June 2008.

[17] Collins. If food-to-fuel production accounts for 60 percent of the expected increased in feed grain and oilseed product costs between 2006/07 and 2008/09, and these increases are passed on to retail consumers, these increases would increase baseline US expenditures on food by 1.8 percent over a 2-3 year period. This increase is significant in light of the fact that long-term annual average food inflation is about 2.5 percent. Thus, the increase in retail food prices due to biofuels is estimated to be 23-35 percent above the normal increase in food prices that would occur over 2-3 years.

[18] Elam, Thomas, "Biofuels Support Policy Costs to the U.S. Economy," FarmEcon LLC, March 24, 2008 (Hereinafter "Elam")

[19] Consumer Price Index—Average Price Data (retrieved for most requested statistics), Bureau of Labor Statistics, available at *http://www.bls.gov/data/home.htm.*

[20] Bob Davis and Douglas Belkin, Food Inflation, Riots Spark Worries for World Leaders," Wall Street Journal, April 14, 2008. A1.

[21] "The World Food Crisis," New York Times, Editorial, April 10, 2008.

[22] BLS, at *http://www.bls.gov/dolfaq/bls—ques1.htm*

[23] Elevated corn prices in response to increasing biofuels demand also contribute to the historically high prices of soybeans because soybean cropland must compete with corn for cropland. Indeed, the price of soybeans has risen even though stockpiles of soybean oil are also at near record levels. USDA reported that the price of soybeans per bushel was $6.43 in 2006/2007, but shot up to $9.00 in 2007/2008. USDA Projections, at 35 (Table 7). Prices of soybeans and soybean-derived products (e.g., soybean meal and soybean oil) are projected to increase and remain well over 2006/2007 levels over the long-term due to continued increased demand for biofuels, with even greater price increases likely as a result of the strengthened biofuels mandates enacted by Congress in 2007. USDA Projection, at 23 and 41 (Table 13).

[24] Food and Agricultural Policy Research Institute, 2008 U.S. Baseline Briefing Book (March 2008) (hereinafter "FAPRI Report"), at 3, available at *http://www.fapri.missouri.edu/outreach/publications/2008/FAPRI—MU—Report—03—08.pdf.*

[25] FAPRI Report, at 60.

[26] FAPRI Report, at 60. See also USDA Projections, at 4, 49 and 60. In fact, USDA acknowledges that its own projections likely underestimate the anticipated increases in costs of animal feed because, although they account for the biofuels mandates created by the Energy Policy Act of 2005, they do not account for the strengthening of those mandates by Congress in December 2007, which has added to the unprecedented demand for corn. USDA Projections, at 23.

[27] Elam at 28,

[28] Elam at 28. See also FAPRI Report, at 42 (suggesting that beef producers will experience financially difficult times in the next few years as they face high and rising input costs); see also FAPRI Report, at 50 (stating that higher feed costs have contributed to increases in the costs of producing milk).

[29] CRS, High Agricultural Prices: What are the Issues?, May 6, 2008.

[30] USDA-ERS, Feed Outlook, May 13, 2008.

[31] CRS, High Agricultural Prices: What are the Issues?, May 6, 2008.

[32] Advanced Economic Solutions, The Impact of Rising Commodity Prices on Food Inflation, June 2008

[33] Elam, Thomas, "Biofuels Support Policy Costs to the U.S. Economy," FarmEcon LLC, March 24, 2008.

[34] FAPRI-MU, The Energy Independence and Security Act of 2007: Preliminary Evaluation of Selected Provisions, January 2008.

[35] Rosegrant, Biofuels and Grain Prices: Impacts and Policy Responses, May 5, 2008.

[36] USDA, ERS, Global Agricultural Supply and Demand: Factors Contributing to The Recent Increase in Food Commodity Prices, May 2008.

[Additional submissions from Mr. Faber follow:]

["Global Agricultural Supply and Demand: Factors Contributing to the Recent Increase in Food Commodity Prices," may be accessed at the following Internet address:]

http://www.ers.usda.gov/Publications/WRS0801/WRS0801.pdf

["Another Inconvenient Truth: How biofuel policies are deepening poverty and accelerating climate change," may be accessed at the following Internet address:]

http://www.oxfam.org/policy/another-inconvenient-truth

["The Role of Biofuels and Other Factors in Increasing Farm and Food Prices," may be accessed at the following Internet address:]

http://www.foodbeforefuel.org/facts/studies/role-biofuels-and-other-factors-increasing-farm-and-food-prices

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["World Economic Outlook," October 2007, may be accessed at the following Internet address:]

http://www.imf.org/external/pubs/ft/weo/2007/02/index.htm

["World Bank Response to rising food prices," may be accessed at the following Internet address:]

http://siteresources.worldbank.org/NEWS/Resources/risingfoodprices—backgroundnote—apr08.pdf

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Chairman MILLER. Dr. Wilson?

STATEMENT OF KATIE WILSON, PRESIDENT–ELECT OF THE SCHOOL NUTRITION ASSOCIATION, FOOD AND NUTRITION COORDINATOR FOR THE ONALASKA SCHOOL DISTRICT

Ms. WILSON. Good morning, Chairman Miller, members of the committee. I am Dr. Wilson, president-elect of the School Nutrition Association, and I have also been a practitioner as a school nutrition director in Wisconsin for over 20 years.

Our 55,000 members serve 30 million students every day. And, members of this committee, Mr. Chairman, I am here to tell you we are struggling to make ends meet.

While the increase in the cost of food, as you have heard today, is very dramatic, we also have many compounded other hidden expenses. Meeting the dietary guidelines for Americans, an important goal for the school nutrition program, has been difficult due to the lack of funding to purchase fresh fruits, vegetables and whole grains that we are expected to serve.

The lack of uniform national nutrition standards is increasing the cost of our meal programs. When the same product is produced with different standards, it costs all of us money. We simply don't have the funds to continue on with this.

Finally, we are being charged increased indirect costs, such as electricity, gas, water, trash removal, and, in many cases, we are being charged for expenses not associated with the school nutrition program, such as school district administrative salaries.

As you have heard, USDA just announced the reimbursement rate for $2.57 for free meals, while in many school districts, the cost of preparing that meal is well over $3.

In order to cope with these costs, 75 percent of the respondents of our survey reported raising the price of the school meals for the paying student. While that may seem like a viable solution, we are concerned that the working families can no longer afford these meals. We see it on the homefront every day.

With all of these factors swirling together, it seems as if a perfect storm is developing.

A few examples: Mr. Chairman, in Antioch, California, the cost to produce a meal is increasing from $2.27 to $2.92. The district will look not only to increase meal prices, it will also reduce its labor force.

In San Diego, meal costs are increasing from $2.47 to $2.97. It will be a total of an extra $6.3 million in the 2008-2009 year to run that program.

The Miami-Dade County Public Schools' Food and Nutrition Department saw an additional $4.9 million in milk cost alone in the 2007-2008 school year.

A good summation of this problem is a new school nutrition director from Pittsburgh, California, saying, "My expenses will increase with declining revenues. Next year will be a tough year, and I am not sure how I will accomplish it."

So, Mr. Chairman, how do we deal with these crucial issues? Let me suggest four items to begin with.

Number one, more frequent and realistic cost-of-living updates. Once a year does not reflect my monthly price fluctuations. Most vendors will not lock in prices for more than 6 months.

Number two, cap indirect costs and give clear directions as to what is allowable for districts to charge the school nutrition programs.

Number three, give us commodities for the School Breakfast Program to help to hold down food costs. We are provided commodities for school lunch, but not breakfast.

And, finally, support and move forward legislation for national nutrition standards to control the costs we see.

In closing, along with the food cost increases that we are talking about today, we must deal with complexity of issues. I look forward to working with you to develop an action plan to mitigate some of these expenses.

Mr. Chairman, members of the committee, thank you very much for allowing SNA to participate in this hearing, and I would be pleased to answer any questions.

[The statement of Ms. Wilson follows:]

Prepared Statement of Katie Wilson, President-Elect of the School Nutrition Association, Food and Nutrition Coordinator for the Onalaska School District

Chairman Miller, Members of the Committee, we deeply appreciate this hearing and the opportunity to discuss how the school nutrition programs are being effected by the steep increase in food prices. I am Katie Wilson, PhD, the President-Elect of the School Nutrition Association (SNA) from Onalaska, Wisconsin. I also serve as the Chairman of the Nutrition Standards Committee for SNA.

When SNA testified before the Committee just a few months ago on the subject of nutrition standards and the beef recall, we noted the "USDA currently reimburses local schools $2.47 for every "free" lunch provided to a child with income below 130% of the poverty line * * * less than the price of a latte at the neighborhood coffee shop." Even the increase for the new school year—$2.57—which was announced this week, fails to meet the true cost of providing school lunches, and on a percentage basis is smaller than the food cost increases we are experiencing.

Our 55,000 members serve 30 million students every day. We believe we can no longer work the magic. You can only stretch the food dollar so far. The increase in the cost of food we are all experiencing is very dramatic and compounded by several other factors:

- We are all trying very hard to respond to the obesity epidemic by making needed changes in the school food service menu but the changes are expensive. The Food and Nutrition Service has asked schools to develop meals that meet the 2005 Dietary Guidelines for Americans, but has not factored in the added cost of meeting this critical goal. Fresh fruits and vegetables are expensive. Whole grains—if they are even available—cost more than products made with white flour. Our members report that it is not uncommon to pay 5 to 6 cents more for a single serving of whole grain bread over a serving of white bread.
- As the cost of fuel increases, many local school administrators are charging the school food service program more and more for the "indirect expenses" of running the school. These expenses include utilities such as electricity, gas, water, and trash removal. According to SNA's School Nutrition Operations Report: The State of School Nutrition 2007; 46.6% of the programs have seen an increase in their indirect costs.
- It goes without saying that fuel costs are also increasing transportation costs. In many areas, this is impacting food bills, as food distributors are adding surcharges to make up for additional fuel expenses.
- The cost of labor has also been increasing for school nutrition employees for several years now. Many states and school districts require their employees to be provided with healthcare and other benefits. This is great for our employees, but unfortunately means that the school nutrition program budget must cover the costs of the mandated benefits. In some places, health care costs have risen as much as 7-10 percent.
- The historic February 2008 beef recall, which we testified about, is still having an effect on school nutrition programs. Many programs spent money to destroy the recalled beef and order new product to replace it but still have not been reimbursed by USDA.

• Finally, as we mentioned at the last hearing, the lack of a uniform national interpretation of the Dietary Guidelines is increasing the cost of the meal program. The multiplicity of different state and local nutrition standards is driving up the cost of producing food products and this increase is being passed on to local school food programs. We simply do not have the money to pay for many different interpretations of the Dietary Guidelines. We urge the Congress to establish a uniform national standard for the Dietary Guidelines.

A recent survey of school nutrition directors reveals even more about the state of school nutrition programs. SNA is still collecting results, as many school districts finalize their bids and menus during June and July. Very preliminary findings, however, show that the cost of preparing a school meal will jump $0.30 per meal, per day, per child, to a national average of $2.88. Last year there were 5 Billion lunches served. When you multiply 30 cents by 5 billion, the national impact is approximately $1.5 Billion.

In many school districts, the cost of preparing a meal is well over $3.00. In order to cope with the rise in costs, districts are weighing a variety of options. Approximately 75% of respondents to our survey are raising the price of a school meal for paying students. Reducing the number of employees, while undesirable during difficult economic times is another option 62% of directors are considering. What is most disconcerting, though, are the 69% of directors who are dipping into their financial reserves. School nutrition programs keep these rainy day funds on hand for capital equipment purchases since equipment assistance is no longer provided. (Equipment assistance was eliminated by Congress in the early 1980s). Instead, many directors are using their capital improvement reserves for day-to-day operations, which will have a profound effect in the years ahead.

As food costs continue to rise, we are challenged to do more with much less. With all of these factors swirling together, it seems as if a perfect storm is developing. Take a look at these examples from districts around the country:

• In Ponca City, Oklahoma, there is a $25,000 to $30,000 increase in food contracts from the 2007-08 school year to the 2008-09 school year. The district's school nutrition director noted that at the end of the school year, many vendors gave 30 day notices stating they could not meet agreements on pricing. Many other school districts echo similar comments from their vendors.

• This year, the growing food costs have pushed Florida's Polk County School District $1 million into the red. This is the district's biggest loss on record.

• The price of milk has increased more than 32 percent since 2006 in the Hoover School District in Alabama. Next year, the district will pay $72,000 more for milk.

• Miami-Dade County Public Schools Food and Nutrition Department has seen a 7 cent increase in the price they pay for whole grain bread from the 2006-2007 school year to the 2007-2008 school year—representing almost a half a million dollars more they had to spend. During the same timeframe a case of trans fat-free margarine went from $12.12 to $21.96 representing an increase of over $125,000 while a ½ pint carton of milk increased from 17 cents to 26 cents—costing the nutrition program an additional $4.9 million.

• Some school districts will stop offering universal free breakfasts in the fall. Next school year, the Rowan-Salisbury School District in North Carolina will stop offering free breakfasts to students at six district schools due to rising food costs. While students eligible for free meals will continue to receive breakfast, all other students must now pay. This is an unfortunate consequence, as there is a strong link between breakfast and improved academic achievement.

Despite the challenges, school nutrition professionals are NOT sacrificing nutritious school meals. We are still dedicated to providing our students with healthy, balanced, low cost breakfasts and lunches. We must meet the nutrition guidelines set by the U.S. Department of Agriculture and many of our home states. To do so, school nutrition professionals nationwide are cutting budgets and looking for alternative items. In some cases this requires exercising a little creativity. For instance:

• The Wayne Township School District in Indiana cannot raise meal prices this year, since they raised them during the previous school term for the first time in 8 years. Instead, the district's school nutrition director is reviewing every non-food related cost, looking to save money on paper goods and packaging.

• To avoid raising lunch prices, Utah's Davis County School District is purchasing food earlier and in bulk. Buying in bulk allows the school district to save a considerable amount of money. In some places, school districts are banding together to form purchasing cooperatives. By joining a cooperative, school nutrition programs have greater buying power and can purchase items at a lower cost.

• Some nutrition programs are downgrading menu selections to less expensive options. For example, students in the Charlotte-Mecklenburg schools in North Carolina will be served spaghetti in place of lasagna this year. In the Spring Inde-

pendent School District, outside of Houston, Texas, baby carrots will be replaced with carrots cut on site.

• The Alvord Unified School District in California will eliminate meat and cheese from salad bars and will instead offer a produce bar with four cold fruit and vegetable choices and crackers as a supplement to students' entrees.

I could continue. These are only a few examples of the ingenuity displayed by my colleagues around the country. At the end of the day, however, what school nutrition directors are doing to lessen the impact of rising costs is still not enough. Our programs need additional help in order to provide the highest quality, healthiest meals available to students each day.

In an effort to mitigate the rapid increase in the cost of food, we would like to make several suggestions for your consideration:

1. As you know, the National School Lunch Act updates the various reimbursements annually. Given how fast food prices are escalating, by the time the new rates are implemented they are out of date. SNA believes that the statute should be amended to require adjustments twice a year, or every six months.

2. The current index formula is based on "food away from home." The question in our mind is whether that is the correct index, or whether there is a more appropriate index. We would appreciate your guidance on that question.

3. As I mentioned, many school districts are increasing the "indirect expenses" that are being charged against the school food service account. For example, in many cases, the percentage of the lighting bill or the sanitation bill, or even the salary of the school administrator, being charged to us, the school food service account, is far out of proportion to reality. Unlike many other programs, there is no maximum in the statute or the regulation as to what a school can charge us (the food service account). The appropriations bill, each year, states that the money is to fund the National School Lunch and Breakfast Programs. In reality, however, the money is used for many other school expenses. It has gotten out of hand and we feel that the statute should require USDA to establish a maximum indirect expense charge and one that is based on our true cost and expense to the school. Such a change would greatly improve the financial integrity of the school meal program and allow us to improve meal quality.

4. Finally, the School Breakfast Program still does not receive any USDA commodity assistance. The Lunch Program receives USDA commodities, but not the breakfast program. It would greatly assist our programs, and help us expand the breakfast program, if the Congress amended the statute to provide commodity assistance. Our suggestion is to provide ten cents (.10) per breakfast. Again, this would greatly assist us in trying to cope with the cost of food. Let me also note, however, that even though the School Lunch Program receives commodity assistance, it's much less than in previous years. Because of changes in the agriculture economy, "bonus commodities" have all but stopped. Traditionally, our "entitlement" commodities were supplemented by bonus commodities, or extra surplus commodities. That is no longer happening to the same extent. We hope you will take this change into consideration in deciding on the level of commodity assistance for breakfast and lunch.

Thank you very much, Chairman Miller, for convening this important hearing and for allowing SNA to participate. I would be pleased to answer any questions.

Chairman MILLER. Thank you.

Mr. Matustik?

STATEMENT OF PAVEL N. MATUSTIK, CHIEF ADMINISTRATIVE OFFICER, SANTA CLARITA VALLEY SCHOOL FOOD SERVICES AGENCY

Mr. MATUSTIK. Mr. Chairman, members of the committee, I am honored to appear before you today. And thank you for the invitation to address the rising cost of food and its impact on federal child nutrition programs.

I will summarize my written testimony, which I have submitted for the record.

My name is Pavel Matustik, and when I escaped from then-communist Czechoslovakia 26 years ago, I didn't even dream that one day I would be testifying in front of this august body.

Today I am the chief administrative officer for the Santa Clarita Valley School Food Services Agency. Our agency is a joint powers agency; in some other states, it would be called an intergovernmental agency. It was established by five local, relatively small school districts for providing school meals for their students.

It shall be mentioned that before they started the JPA, these school districts were regularly losing together around $300,000 a year. Today our operation is so successful that just this past school year we gave back $700,000 to our members. This is an improvement of $1 million a year.

Our operation in Santa Clarita has been hit with the same woes as the rest of the school food service industry in the country. The horrendous increases in the cost of fuel, energy and agricultural commodities are starting to have a rather negative impact on our bottom line. I am sure that the committee members are well aware of these facts, and you can find some of the numbers and charts in my report.

Thanks to the slowing economy and lower tax receipts, the school district budgets are hit hard as well. And it will be hard for them to fiscally support their food service operations.

The question in front of all of us is: How can you and our government help, and how can we help ourselves?

Before I start asking for more funds, which would certainly help the child nutrition entities across the country, let me share with you how our organization copes with these challenges.

It in my opinion that the JPA is a business model which should be copied all across the country. The savings could be enormous. The JPA immediately wins increased purchasing power, increased flexibility, and positive cash flow.

It is a philosophy of our agency to fight the reverse Robin Hood syndrome. There is no reason, other than political, for school districts to charge for the paid meals less than what the federal government reimbursement rate is. You can see a chart also attached.

Two years ago, using direct shipments from the USDA commodities, we started to prepare our own homemade, lower-fat, whole grain, fresh pizza, which we deliver daily to all our schools as a part of our daily five menu offerings.

Two hundred large and small school districts in California created a commodity processing and procurement cooperative. This co-op established long-term, 2-, 3-year contracts with over 50 manufacturers with guaranteed pricing, which is 99 percent better than the rest of California's schools.

There are also ways for you, our representatives, to help the American school child nutrition operations without any additional financial obligations.

Help eliminate no-value-added costs from our programs. The USDA delivers the commodities to processors or our warehouses for free. California charges an additional $1 per case; they never touch. The state receives over $1.3 million from USDA for food distribution. Only, from our co-op, and therefore from our children, the state of California is taking an additional $1 million a year.

USDA shall require each state to roll over unspent or overspent entitlement to the district responsible. The USDA has been working for some time now on a pilot program to allow districts to use

the entitlement dollars for purchasing fresh, pre-cut produce from commercial channels. This program can become a great benefit to all districts. Work with the USDA to eliminate any remaining hurdles.

An increase of 1 penny per serving negatively affects school meal programs by $54 million a year. And the costs of meals in California went up on average by 4 cents, or 20 percent, from 2006-2007 levels.

There is an obvious question which will probably anger every dairy farmer in America and, therefore, a sane person would never ask. But because I am a foreigner born and a canceled Czech who doesn't know any better, I will. [Laughter.]

Why do we have to offer milk with every breakfast and every lunch?

And please try to research a possibility of national science-based nutrition standards. As Katie mentioned, it would save a huge amount of dollars for all of us.

In conclusion, I would like to reiterate that there is a need to find a unifying solution to the impact our schools feel because of these fairly sudden increases in food and energy costs. I believe that a long-term solution can only be found if school districts and Congress consider some of the proposals I have spoken about. Let's remember that every dollar saved from the general fund can go back to the classrooms.

Mr. Chairman, Mr. McKeon, thank you for this opportunity to testify.

[The statement of Mr. Matustik follows:]

Prepared Statement of Pavel N. Matustik, CAO, Santa Clarita Valley School Food Services Agency

My name is Pavel N. Matustik and I am the Chief Administrative Officer for the Santa Clarita Valley School Food Services Agency (SCVSFSA.) Our organization is a Joint Powers Agency (in some other states it would be called an Intergovernmental Agency) established by five local (relatively small) school districts for providing school meals to their students. It is important to mention that before they started the JPA these five school districts were regularly supporting their food service operation from their general funds. The districts joined together and borrowed over $5.5 million to start the Agency. Today our operation is so successful that we have repaid $4.8 million to the member districts—just this past school year (07/08) we paid back $700,000 to our members.

Presently we provide food for 42 schools with an enrollment of over 30,000 students. Some of our schools have attendance over 1,000 students; others have as few as 250 pupils. We serve about 15,000 lunches and 4,000 breakfasts a day. In the elementary schools we offer 5 menu choices daily, and in secondary schools there are a minimum of ten choices. We have salad bars in all of our schools. Our JPA employs 172 people and the majority (about 75%) are part time workers. The Agency reports to the Board of Directors—each member district has one representative on the Board. This is usually a superintendent or the business manager.

It needs to be noted, that the school food service operation is the only public school segment that is expected to be fiscally self-sufficient and operate without any help from the districts' general funds. It is the only school district's department, that is expected to be run as a business. As one of my mentors, Mr. De Burgh, likes to say: I don't know a school food administrator fired for serving a fat-burger, but I certainly know many who lost their job because of their negative cash flow * * *

Our operation in Santa Clarita has been hit with the same woes as the rest of the school food service industry in the country: the horrendous increases in the cost of fuel, energy and agricultural commodities are starting to have a rather negative impact on our "bottom line". I'm sure that the committee members are well aware of these facts and you can find some of the numbers and charts in the appendix. (Appendix I)

As I previously mentioned (and every other presenter today has the same message) the costs of labor, statutory benefits, energy and agricultural commodities are rising faster than the core inflation. The other incoming conundrum is the fact that thanks to the slowing economy and lower tax receipts the school district budgets are hit hard as well and it will be hard for them to fiscally support their food service operation. The question in front of all of us is: How can you and our government help, and how can we help ourselves?

Before I start asking for more funds, which would certainly help the child nutrition entities across the country, let me share with you how our organization copes with these challenges.

1. Five small local school districts established a new joint governmental entity with one goal: to provide affordable nutritional meals to their students without any encroachment on their general funds. The JPA immediately gained:

Increased purchasing power;

Fundamentally sound and knowledgeable administration;

Ability to train staff and increase the employees' professional knowledge and attitude;

Eliminated any encroachments on districts' general funds. Consequently, the JPA is able to return some of the funds back to the districts.

It is my opinion that this is a business model, which should be copied all across the country—the savings for our education entities would be enormous.

2. It was always a philosophy of our organization to fight the "reverse Robin Hood" syndrome. There is no reason (other than political) for school district charge for the paid meals less than what the Federal Government sees as a necessary reimbursement rate. (Appendix II)

3. A well-run USDA commodity program can represent as much as 20% of any school food service operation's food budget. Thanks to your guidance and the USDA's leadership the commodity programs today are a huge advantage to school systems that know how to use them. The national processing agreements, direct diversion programs, the fresh fruit and vegetable programs, the additional funds ($40 million for 2008 and $50 million for 2009 released just a week ago) are all helping to meet our challenges.

4. About eighteen months ago, using direct shipments of the USDA commodity low fat mozzarella cheese and USDA commodity fresh tomatoes we started to prepare are own ("home made") lower fat, whole grain fresh pizza, which we deliver daily to all our schools as a part of our daily five menu offerings. the commercial distribution cost going up (fuel) and manufacturing coup, we were able to save over $150,000 in that period of time and at the same time were able to serve a healthier product. This year we started with healthier, lower fat ("home made") burritos a la Chipotle and the students' response is very positive.

5. 200 school districts in CA created a commodity processing and procurement cooperative. This co-op established long term (2-3 years) contracts with 50 manufacturers with guaranteed pricing, which is 99% better than the rest other CA school operations. Yes, we have some manufacturers trying to renegotiate the contracts, but so far we were able to keep most of the prices within our agreements.

It is my opinion that all school districts, but especially the smaller entities, should look into establishing commodity processing and procurement cooperatives. To this day the commodity processing and procurement decisions are often left with the individual state distribution agencies, which may or may not know the needs of the school districts.

There are also ways for you, our representatives, to help the school child nutrition operations across the country without any additional financial obligations.

Help eliminate no value costs from our programs. The USDA delivers the commodities to processors (or our warehouses) for free, but many states charge the schools a "handling fee". In California, for example, it is $1 for every case of any commodity we send to our manufacturers or receive directly from the USDA to our warehouses—the state literally doesn't touch these cases at all. This is on the top of the funds (SAE) the state is receiving from the USDA. California's take (discretionary and non-discretionary funds) is over $20 million. Over $1.3 million is for food distribution! Only from our co-op (and therefore our children) the state of California is taking over $1,000,000 a year!

Every year the USDA "rolls over" the commodity entitlement for each state regardless of whether the state under-spent or overspent during the preceding year. Because the price of the purchases changes, it is impossible for a state to "hit" the entitlement figure exactly. The USDA recognizes this and allows the state to carry over unspent dollars or to take overspent dollars out of the next year's entitlement. However, quite a few states do not allocate the overspent or under spent dollars based on the district previous year's performance. Therefore, it can happen that a

district that didn't spend its entitlement one year will never see its funds again. The USDA should be required to have the states roll over entitlement (both over and under) to the districts that have the differences. This should be done for at least one year before the state is allowed to spend the money randomly.

The USDA has been working for some time now on a pilot program to allow districts to use the entitlement dollars for purchasing fresh pre-cut produce from commercial channels. This program can become a great benefit to all districts. Work with the USDA to eliminate any remaining hurdles.

As you all probably well know, milk must be offered with every lunch and every breakfast. An increase of 1 penny per serving negatively affects our operation by $27,000 a year—this represents almost 1% of our labor cost. Nationwide, the number is even more staggering—1 penny could increase the cost of providing school meals by $54,000,000 a year! And the cost of milk in California went up on average by $0.04—20% from 2006/07 levels! (Appendix III) There is an obvious question which will probably anger every dairy farmer in America and therefore a sane person would never ask; but because I'm a foreigner and a canceled Czech who doesn't know any better I will: do we have to really offer milk with every breakfast and every lunch we serve?

Consider researching a national science based nutritional standard. Right now we are in danger of having 50 different nutritional standards all created for the good of our children, all of them just a slight variation from each other but making it more expensive for the manufacturers and therefore for the schools as well.

In conclusion I would like to reiterate that there is a need to find a unifying solution to the impact our schools feel because of these fairly sudden increases in food and energy costs. I believe that a long-term solution can only be found if school districts and Congress consider some of the proposals I have spoken about—let's remember that every dollar saved from the general fund can go back to the classroom.

Thank you for this opportunity to testify in front of your very essential committee.

Chairman MILLER. Thank you.

Mr. Harnett?

STATEMENT OF JAMES HARNETT, PRESIDENT AND CEO, FAMILY AND CHILDREN'S ASSOCIATION

Mr. HARNETT. Thank you, Mr. Chairman, members of the committee.

Congresswoman McCarthy, thank you for that introduction.

I am Jim Harnett, the president of Family and Children's Association, which serves 20,000 children, family and seniors in Nassau County in New York. We work to protect vulnerable children and families. And we welcome this opportunity to offer our recommendations on the afterschool and summer lunch programs.

As Congresswoman McCarthy knows well, while Nassau County is perceived, understandably, as a well-off suburb, in the Village of Hempstead, where we operate our nutrition programs, every school meets the 50 percent eligibility requirement for the School Lunch Program. And across Long Island, all the way out to Congressman Bishop's district, in 2006-2007, 167,000 children were enrolled in the School Lunch Program. Need and hunger recognize no political boundary.

I want to describe the impact that rising costs will have on the summer food program and on the low-income children and families who are struggling with these rising costs. But I also want to remind us of the obvious. I have brought a couple of photos with me today to remind us this is about children.

That little boy will benefit from the 2009 reauthorization. He looks young, but he is already in one of our programs, and he will be with us for a long time. The children with all those nice fresh

fruits started our summer camp program on Monday, and I describe that program in my written testimony.

It is important that we keep in mind, at the end of the day, we nurture our children now or we will pay an awful price later. These children represent millions of children who today benefit from the meals that, for most of them, are the best meals they will have today and, for too many of them, the only meal they will have.

For children, no nutrition means no energy. No energy brings us to a topic that others have addressed better than I can, the price of fuel. But we cannot let this complex interplay affect the children. The fact, as the chairman noted, that some of the most common staples of milks and fruit and bread, cheese, the price has increased 17 percent, has an immediate and direct impact on the programs that we are talking about.

The summer food reimbursement rate does not cover the full cost of meals in our county. And, fortunately for us, our county made a decision to use local public dollars to cover the program, so that over 2,600 children will participate each day in the summer food program. The cost of that program to the county will be about 21 percent.

Obviously, the financial loss of operating the summer food program makes sustainability of this program a key issue. And although I do not have time to fully or adequately describe the impact of these rising costs on a family of four with less than $1,000 a month for all of their needs except for rent, I would ask that my written testimony be amended with the Wall Street Journal article from yesterday which did, I think, a very fine job of explaining how the summer food camp program is benefiting poor families.

There is no question that next year the committee will be able to make significant improvements to the afterschool and summer nutrition programs through the Child Nutrition reauthorization.

I have polled my colleagues, even over a busy holiday weekend, across the state, from Erie and Niagara all the way out to the East End in Congressman Bishop's district. And I can tell you, we all are in agreement that we would ask you to consider these changes in the programs.

Increase the food snack allowance for hungry teenagers in the afterschool snack program. Make the afterschool supper program available to all states, so that school-aged children through age 19 may receive supper at an afterschool program located in low-income areas.

Change the eligibility requirement to 40 percent from the current 50 percent so that afterschool and summer programs serving low-income children, especially in rural districts—my colleagues emphasize this. Rural districts have a much harder time meeting the standard than we do in suburban and city districts.

Increase the current reimbursement rates for providing nutritious snacks and a healthy breakfast and/or lunch to offset these rising costs of food and fuel.

Make the pilot program you created in California in the last reauthorization available to all states, allowing year-round local government agencies and nonprofits to use the summer food service program to feed children 365 days of the year. And expand the pro-

gram so that children can be eligible for suppers after school and meals on weekends and school holidays.

Increase the summer food service program, which reaches less than one in five, about 20 percent of the children who are enrolled in the National School Lunch Program during the school year. The summer food program needs to be strengthened with additional funding to offset the prices of food, transportation, outreach, start-up and expansion.

And, by all means, reduce the paperwork and streamline the program so that more and more of the funds can be spent on food.

Please use the 2009 reauthorization to improve these vital federal child nutrition programs so they can better meet the needs of our children and teenagers, especially those that are the poorest and most vulnerable, both after school and throughout the summer.

Thank you.

[The statement of Mr. Harnett follows:]

Prepared Statement of James J. Harnett, President & CEO, Family and Children's Association

Good morning, Mr./Madame Chairperson and Members of the Committee.

I am Jim Harnett, the President of Family and Children's Association, a social service agency serving vulnerable and needy families and children in Nassau County, New York. Family and Children's is a leading human service agency on Long Island helping over 20,000 of our neighbors each year. We work to protect and strengthen Long Island's most vulnerable individuals especially children, seniors and families.

The Agency serves people who often have no where else to turn; particularly those who struggle with social, emotional and/or economic challenges and lack adequate support systems. In addition to our Afterschool and Summer Nutrition Programs we offer 40 programs including the only shelter for runaway teens in Nassau County, provide the PINS (Person in Need of Supervision) Diversion Service for the County, family-focused programs to help parents and their children avoid foster care or court-appointed supervision; high school equivalency diploma & school enrichment programs to help young people succeed; outreach and in-home service to senior citizens to protect our most vulnerable neighbors; and many, many more programs. Our various counseling and referral services not only strengthen our clients, they often save families and individuals who are on the brink of disaster. We operate a county-wide program to assist children with mental illness to remain with their families, two outpatient mental health clinics and two chemical dependency programs and four transitional and mental health residential programs.

Our Summer Camp is an extension of our Promise Project. The Promise Project offers afterschool services to 6th, 7th and 8th graders from a middle school in the Hempstead School District. The Promise Scholars meet each school day to receive homework assistance, attend workshops and participate in activities geared towards promoting positive youth development, academic performance, and community connections. The project will work with these children until they complete high school. Upon graduation, each student will be awarded a $2,500 scholarship to the college or vocational school of his or her choice.

The program began October, 2007 and the group's first community service project was an inter-generational holiday party with the senior residents of the Greenwich Street Apartments. The Promise Scholars helped serve food to the seniors who attended the holiday event and delivered dinners to the homebound who could not join in the celebration.

Community volunteers and students from local colleges and universities have shared their skills and talents with the program. The children have received instruction in culinary arts, step dancing and physical education. There is a group for young men and a Girls Empowerment group. Plans for the upcoming year include a science club, additional instruction in the performing and visual arts and the Positive Action (tm) character education program. The Promise Project is staffed with professional staff and six youth counselors who are students at Hempstead High School.

The Summer Camp will use the Olympics as a theme, not only for its obvious athletic activities, but as an opportunity for the children to learn as much as possible about China's people, culture, language, history, and current events.

I appreciate this opportunity to offer our recommendations about the Afterschool and Summer Nutrition Programs for your consideration.

As Congresswoman McCarthy knows very well, while Nassau County is perceived, understandably, as a well off suburb, in the Village of Hempstead, where we operate our nutrition programs, every school meets the 50% eligibility requirement for the school lunch program and, across Long Island in the 2006/7 school year, 167,000 children were enrolled. Need recognizes no political boundary.

My purpose today is to describe the impact that rising food costs will have on our Summer Food Programs, and on the low-income children and families who are struggling with rising food costs, but I want to remind us of the obvious: the federal Child Nutrition Programs address the basic nutritional needs of disadvantaged children who count on these programs for their best, most nutritious meals of the day.

I have brought with me some photos of children who participate in our Summer Feeding Programs in the Village of Hempstead. The first photo is of a boy already in our day care program and sure to benefit from the reauthorization. The second is a group of children in the Promise Project Summer Camp taken last Monday, on the first day of camp. Lastly, this is a group of our teenagers who are enjoying a well balanced meal.

These children represent the millions of children who today benefit from the meals that for most of them will be their best meals of the day, and for too many their ONLY meals of the day! For years Congress has commendably seen fit to protect these children and assure they have at least a basic level of nutrition so they can go about their important business of learning and playing.

Yes, playing, our programs place a special emphasis on play because that is what we all know makes children creative, inquisitive, and imaginative, the very qualities they—and our country—need to compete in the future, if they and we are going to maintain our leadership position in the world.

No nutrition means no energy! No energy brings me to fuel.

Those speaking before me today have ably explained the interaction and economics of food and fuel. What I want to talk about is the impact of these rising costs have on my program. Many of the foods that are staples in the Summer Food Program have increased at a disproportionate rate, which makes it harder to provide meals without losing money. For example, from April 2007 to 2008, the cost of milk increased by 13.5%. The impact of this on meal costs is substantial since all Summer Food meals must include milk. Bread increased by 14.1%, which significantly increases our costs since many of our meals include sandwiches. And cheese, a favorite with our kids, increased by 12%. These numbers are much higher than the 5.9% percent average increase in the cost of food.

This summer, the Summer Food reimbursement rate will not cover the full cost of the meals, but our County has made the decision to support Summer Food with our very limited local public dollars. The County will cover 21% of the cost of operating the Summer Food Program. We choose to do this, because we are committed to providing nutritious meals to the children who participate in our summer camps. We expect that 2,650 children will participate each day.

Obviously, the financial loss of operating the Summer Food Program makes sustainability an issue, but we all realize that the rising food costs, which are increasing the cost of summer meals, are hitting our low-income families really hard. Too many families in our community are struggling with rising food and transportation costs. These economic conditions make the Summer Food Program even more important for our community.

Imagine the impact of these rising costs on a family of four with fewer than $1,000 to spend each month for everything they need except rent! These families were already struggling and things are just getting harder for them. What happens if they live in a community that is unable to subsidize the Summer Food Program or must significantly reduce the quality of the meals in order to run the program without losing money?

I worry for the Summer Food sponsors that do not have the capacity to subsidize the Summer Food Program. I wonder what will happen to the children who used to eat at these sites before the sponsors were forced to close their doors. The children still need access to those meals to get through their long summer vacation.

Our children cannot wait for these matters to right themselves. They need good nutrition now. This past weekend, as we celebrated some of the inalienable rights we hold sacred as a nation, I could not help but think that for me—thanks to the wisdom of Congress—one of these rights is that our country will not let our poorest and most vulnerable children go hungry. We believe children must, at the very

least, have one (better two: breakfast and lunch) good, decent, nutritious meal a day! Congress leads the way in this regard, and I hope and suspect I am preaching to the choir when I implore you to make some much needed adjustments in the budget for the afterschool and summer nutrition programs, ensuring that our children can continue to learn and grow to become the very people who will sit in your seats tomorrow!

Though I realize it is not the purpose of today's hearing, and it is not within the Committee's jurisdiction, I would be remiss if I did not use this opportunity to urge Congress to at least temporarily increase food stamps at the earliest possible date. The low-income families that participate in my feeding programs would benefit greatly from immediate Congressional action designed to reverse the impact of this recession. Specifically, boosting the food stamp allotment by 20% (as the Senate proposed in the last economic stimulus package) would immediately increase the food purchasing power of the families we serve. Food Stamp benefits, which average $1 per person per meal, have not kept pace with the sky-rocketing cost of food, which is only going to get more costly. A boost in food stamp allotments would immediately result in more food—and more nutritious food—on the table of these families.

Next year, the Committee will be able to make significant improvements to the Afterschool and Summer Nutrition Programs through the Child Nutrition Reauthorization. Improving these programs is crucial. Nonprofit agencies like mine will not be able to bear these costs and will begin to drop out of these critically needed programs.

Even over a busy holiday weekend, our New York State Association of Family Service Agencies responded to my inquiry and endorsed the following proposals for reauthorization to improve these programs. Of course, we gladly support any improvements that can be made prior to reauthorization, such as through the appropriations process:

• The Afterschool Snack Program is an important resource, but it often does not provide children, especially teenagers, with enough food to get through the afternoon. If you have a teenager at home, I do not have to remind you how voracious an appetite they have after school and how important it is that they eat nutritionally balanced snacks—not just junk!

• Many afterschool programs are operating longer hours to better serve working families, which makes providing adequate nutrition even more important. Programs need to have the option of providing an evening meal if the program stretches into the late afternoon or evening hours.

The Afterschool Supper Program allows school-age children through age 19 to receive supper at an afterschool program located in a low-income area in ONLY eight states. (Fortunately, my state is one of them.) In most states only children under age 13 may receive supper. The states which provide this option for older children are required to do significant administrative work for that privilege. I ask that you expand the Afterschool Supper Program with a minimum amount of paperwork for children through age 19 in all states and allow schools to provide suppers through the National School Lunch Program.

• Many afterschool and summer programs serving low-income children cannot participate in the federal nutrition programs, because they are not located in an area where 50% or more of the children are eligible for free or reduced-priced meals. The 50% requirement is not consistent with eligibility requirements for other federal afterschool and summer programs, most notably, the 21st Century Community Learning Center Program—the largest federal funding source for afterschool and summer programs—which requires 40%. It is especially difficult to meet the 50% requirement in rural communities, which do not have the same concentration of poverty found in metropolitan and suburban areas. I ask that you lower the threshold to 40% across the board.

• Providing nutritious snacks for $0.68 cents or a healthy lunch for $2.98 is an enormous challenge in our area and elsewhere not close to the sources of food. Increasing fuel prices will drive up the cost of meals and snacks in the coming months. We would also love to serve our children fresh fruits and vegetables, whole grains, and low-fat milk, but the current reimbursement rates for the afterschool and summer nutrition programs make that next to impossible. Please increase these rates, so that we can all provide our children more nutritious meals and snacks.

• As I am sure you know, many schools, local government agencies, and nonprofit organizations operate both afterschool and summer programs. Schools can provide meals to children year-round through the National School Lunch Program, which is terrific. Unfortunately, local government agencies and many nonprofits must switch back and forth between the Child and Adult Care Food Program and the Summer Food Service Program, if they want to feed children year round. Again, this greatly increases administrative work, because each program has different applica-

tions, eligibility rules, and requirements. Your last reauthorization created a pilot in California which allowed year round local government agencies (not including schools) and nonprofits to use the Summer Food Service Program to feed children 365 days a year. I urge that this pilot be extended to all the states.

Colleagues tell me that the California pilot can and should also be improved. Currently, only snacks can be served during the school year. I recommend that children be eligible for suppers after school and meals on weekends and school holidays so that children will receive the nutrition their bodies need 365 days a year.

• Lastly, I implore you to give additional support to the Summer Food Service Program, which reaches fewer than one in five children who rely on the National School Lunch Program during the school year. The Summer Food Program needs to be strengthened with additional funding for food, transportation, outreach, start-up and expansion.

The 2009 Reauthorization of these nutrition programs provides the critical opportunity to improve the Afterschool and Summer Nutrition Programs so our most vulnerable children can learn and play after school and during the summer.

The nutritional value is obvious but must not be taken for granted. Across our country, these food programs have the important, added benefit of drawing children into quality programs like ours, which keep them engaged, safe and out of trouble, while their parents work. They boost student achievement and reduce juvenile crime and other at-risk behaviors.

We need more afterschool and summer programs to participate in these nutrition programs, so that more eligible children have access to nutritious food as well as food for their minds. I believe if the paperwork and administration are streamlined and the reimbursement for real costs modified, more nonprofits and faith-based organizations will step up to make these programs available to more children.

Please consider these recommendations and the others you are receiving and use the 2009 Reauthorization to improve these vital federal child nutrition programs. These programs need to be strengthened to better serve our children and teens both after school and during the summer.

Thank you so much for your consideration.

[Additional submission from Mr. Harnett follows:]

[From the Wall Street Journal, July 8, 2008]

Currents: Summer Camp as Food Relief—Low-Income Families in U.S. Make the Most of a Vital Lifeline

By ROGER THUROW and ANNA PRIOR

LOMBARD, ILL.—Summer camp at the York Community Resource Center in suburban Chicago offers all the usual activities: arts and crafts, sports, computer games, new adventures in reading. But the prime attraction for Elizabeth Castro, who drops off her two children every morning, is the activity that begins at noon: lunch.

"Food is very expensive this summer," says Ms. Castro, who sells shoes at a department store. "Milk, bread, eggs, everything is going up and up. Except my income."

The severity of the global food crisis, born of increased demand and dwindling stockpiles around the world, can be measured in many ways: rioting in developing countries, rising barriers on the free trade of agricultural goods, and the inexorable creep of hunger in places like the Horn of Africa. In the U.S., where the impact has so far been less dramatic but no less acute for the nearly 13 million households struggling to put enough food on the table, an unlikely barometer has emerged: Day camps, parents' traditional antidote for summer idleness, are now also a bulwark against soaring food prices.

To combat hunger in America, summer camps are spreading the word: There is such a thing as a free lunch.

"Free Meals this Summer for Kids and Teens," shouted a flyer distributed to Illinois students by a number of hunger-fighting groups as school ended last month. "Don't let your children miss out!"

It wasn't long before the Illinois Hunger Coalition's Hunger Hotline was besieged by parents asking about free-lunch sites. Through June, the number of calls had jumped more than 50% over last year's volume.

The free lunch comes from an underused federal benefit called the Summer Food Service Program permanently created by Congress in 1975 and administered by the U.S. Department of Agriculture. It was designed to fill the hole when school ends and children no longer receive the free and reduced-price breakfasts and lunches available in school under other federal programs.

Within two years, 2.8 million children were signed up for the summer meals. But that was where the program crested, hindered by a lack of sites and the scarcity of summer bus service. In the past 30 years, summer meals never again approached three million while the school-year free and reduced-price meals feed nearly 18 million children.

The gap between school and summer meals rarely cried out for attention until this year when food costs began exploding at a spectacular rate not seen since the early 1970s. A gallon of whole milk in May was up 15.4% over a year earlier, American cheese up 5.3%, a pound of white bread up 14.9%, eggs up 28%, government figures show. The price increases hit low-income households especially hard, since food costs comprise 10.5% of their total consumption compared with 5.5% for the richer households, according to a May report from Goldman Sachs Group Inc.

The USDA reported that 1.5 million more people were receiving food stamps in March than a year earlier. America's Second Harvest, the nation's food-bank network, surveyed 180 member agencies and found a 20% increase in the number of people coming into food banks this spring compared to a year ago.

Enter the summer camps, which are proliferating in number and expanding enrollment across the country. The Food Bank of Northern Nevada reports that it is feeding twice as many children this summer, more than 6,000 a day, than last summer. The Bay Area Food Bank covering counties in Alabama and Mississippi served more than 12,000 lunches this June, which is nearly double the number a year earlier.

For lower-income families, the food-cost crunch is being exacerbated by the soaring fuel prices. In fact, the cost of gas is creating an odd pattern in the summer food programs. The Bay Area Food Bank, for example, has recorded a 40% drop in lunches served at more remote rural sites compared with a doubling at urban sites. Darcy Long, the food bank's child-nutrition manager, says parents claim high gas prices are keeping them from driving their children to the sites, some of which might be miles away from their homes. The choice facing those parents: gas or milk?

Krish Patel, who earns $7.75 an hour working nights at a fast-food chain, says he gave up driving when gas hit $3.40 a gallon. He now walks nearly a mile from his apartment to the York Community Resource Center with his 10-year-old son, Deep.

"My son, he likes to eat. And the cost of everything he likes is up," says Mr. Patel, who says his food bill consumes nearly 15% of the family income.

When lunch is served, Deep goes straight for the chocolate milk. At another table, 10-year-old America Torres puts down her book—Dr. Seuss's "Oh, the Places You'll Go"—and tears into the meal: A peanut-better and jelly sandwich, carrot sticks with buttermilk ranch dressing dip, two plums, a packet of sunflower kernels and a half pint of milk. "Sometimes, my lunch is also my breakfast," she says.

"We call it brunch," says a friend sitting across the table.

Mariela Soejarto, the director of the community center, which is housed in the basement of the Church of the Brethren, serves about 40 meals every day provided by the Northern Illinois Food Bank. "I know some of the parents don't have enough food in the house, or they don't have time to prepare it because they are working," she says. "For some of the children, this is the only place for them to come and eat."

Even schools are pitching in. In Chicago, there is the odd phenomenon of children going to school in the summer even when they aren't taking classes.

A sign on the front door of the Michael Faraday Elementary School announces to the community, "Meals are served" and lists the times of breakfast and lunch below a drawing of two children sharing a cupcake. Under a new state law signed last fall, all neighborhood children are welcome to eat at schools in low-income areas that are offering summer classes.

"We know a lot of our children aren't getting meals unless they're eating at school," says Faraday lunchroom manager Leola Smiley, who is feeding more than 120 this summer. "Dinner is potato chips, sodas, [Cheetos] Flamin' Hots," she says. "Vegetables? They don't get any if they don't get them here."

This summer, Michelle Cox is feeding 300 children at two sites in the city of Waukegan at the Boys and Girls Club of Lake County, Ill. A waiting list stretches up to 100 children; a third site had just opened in the neighboring city of North Chicago. "The food component of our program is absolutely vital for the parents and the kids," says Ms. Cox, the director of operations.

Arriving at one of the clubhouses in Waukegan, Tera and Reginald Hooks get the rundown from their three children on what they had for lunch: a cheese sandwich, crackers, cherries, cucumbers, a granola bar and milk.

"I'm so thankful they're getting milk. We go through a gallon a day at home, and a gallon of milk now costs almost as much as a gallon of gas," says Ms. Hooks, who works at the township office.

Kenneth Norels, who works at a cable company, needs the program so much that when he drops his boys off at the club every morning, he admonishes them to be on their best behavior. "Now don't give them any problems," he tells them.

Chairman MILLER. Thank you.

Ms. James?

STATEMENT OF PAULA JAMES, DIRECTOR, CONTRA COSTA CHILD CARE COUNCIL CHILD HEALTH AND NUTRITION PROGRAM

Ms. JAMES. Thank you, Chairman Miller and members of the committee, for this opportunity to testify about the rapidly rising cost of food and its impact on the child and adult care food program and, more importantly, the young children and families it serves.

Rising food costs have more than ever increased the need for the child-care food program and, at the same time, have decreased access to the program and threatened to reduce the quality of meals served to young children. At a time when prevention of childhood obesity is of paramount concern nationally, we can afford neither.

As families struggle to make ends meet, the Child Care Food Program becomes all the more important to help fill the ever-widening gap between what foods families can afford to buy and what we know young children need to grow strong and healthy.

More and more cash-strapped working families depend on the child-care setting to fill some of that gap through meals served while their child is in care. As a family child-care provider in Los Angeles stated, "On Monday the kids are famished. They eat like they are starving. I don't know what they are eating on the weekends, but I have to plan big meals for Mondays." And a child-care center director in Concord, California, said, "There is always the issue of hunger for our kids. They come to the center hungry, and they will eat anything."

The Child and Adult Care Food Program's good nutrition is important, not just because it provides enough food but because it provides the right food, the healthy food. In a recent USA Today-Gallup poll, 46 percent of those surveyed said that the higher cost of food is creating a financial hardship, primarily noticing an increase in the cost of milk, fruits, vegetables, meat, bread and eggs. These are the same foods that comprise the meal pattern for the Child Care Food Program.

A center director from San Diego stated, "I will need to downgrade my great center menus because we can't afford all of the variety, especially of fresh fruits and vegetables." And a San Mateo Head Start program, which serves over 800 low-income children, said, "Last year our food costs increased 15 percent. Are we still able to feed our children nutritious meals? Yes. But it comes with a price of reducing the quality of our educational services."

At the same time need is increasing, access to the Child and Adult Care Food Program is declining and nutrition quality is jeopardized. For some child-care providers and centers, the balance has shifted. The cost of the gap between the reimbursement level and the cost of meeting the meal pattern and required paperwork is finally pushing them off the program.

Participation in the family child-care portion of the program has declined precipitously since tiering as part of welfare reform, and now we are seeing another significant decline. And for the first time, center participation has decreased. Only about 41 percent of children in licensed family child care are in a home providing Child and Adult Care Food Program meals and snacks. And I am concerned about the nutritional value of meals available to the other 59 percent.

A recent California study compared meals served by homes that participated in the Child and Adult Care Food Program to meals brought from home and found that meals from home were of a significantly lower quality. Meals brought from home mostly contained juice and juice drinks, not milk; chips and cookies were common, and there were very few vegetables and sources of lean protein. And we expect these results to be confirmed in a larger statewide survey funded by the Robert Wood Johnson Foundation.

A family child-care provider from Los Angeles had this to say: "I shop at discount stores and try to stretch the money. I try to buy fresh fruits and vegetables, but the cost is going up. Everything we use—apples, broccoli, even the canned stuff—is going up. Milk has doubled."

We really need the food program. So many kids will suffer if we don't have it. And then learning will suffer. Yet I talk to providers every day who are leaving the program because they can't afford to buy the foods the program requires.

A sponsoring organization in Alameda County noted that, "Providers are cutting back on seconds. They are serving more crackers instead of vegetables as snacks, and less milk because it is too expensive. The quality of food choices has changed."

Rising food and fuel costs have also threatened access by exacerbating longstanding pressures on an already-fragile child-care food program support system, the community-based organizations that sponsor the Child and Adult Care Food Program participation for family child-care homes.

California has seen half of the program's sponsors drop out in the last 12 years. Nationally, 27 percent have dropped. In my own organization, the Contra Costa Child Care Council, our board of directors has authorized $100,000 of other agency funds to subsidize the cost of administering our Child Care Food Program.

So what are some of the solutions for protecting access and quality of meals for our very young children in this time of increasing need?

First, we would support the recommendation to insert a trigger requiring a mid-year adjustment for child nutrition programs if the CPI rises above a certain level.

Secondly, the 2009 Child Nutrition Program reauthorization will be an important opportunity to improve the program. And I have outlined many of those recommendations in my written testimony. I would, however, like to highlight two.

The first is to increase, obviously, the Child and Adult Care Food Program reimbursement to reflect the increased costs of meeting the program requirements and hopefully the dietary guidelines.

And the second would be to enhance sponsoring organizations' reimbursement rate for serving family child-care homes in low-in-

come areas to cover the additional costs of visits and time spent in helping providers overcome literacy and language issues.

Again, I want to thank you for this opportunity to share what we know about the impact of rising costs on the Child and Adult Care Food Program. Clearly it is in the best interest of millions of young children in child care to act to protect the Child and Adult Care Food Program access and quality in this time of increasing need.

And I would like to close with a quote from a child-care center director in Congressman Miller's district, who said, "We worked really hard to make really good changes to our menus to provide nutritious meals for our kids. We can't go back on them, and we won't, even if it means the money we had for instructional materials has to be spent on food."

Thank you for this opportunity.

[The statement of Ms. James follows:]

Prepared Statement of Paula James, Contra Costa Child Care Council, California CCFP Roundtable, National CACFP Forum

I appreciate the opportunity to talk this morning about the impact of rapidly rising food prices on the Child and Adult Care Food Program, young children in child care, their families and child care providers.

The Child and Adult Care Food Program, a federal nutrition program, is a key source of support for child care in family child care homes, Head Start and child care centers. The program provides reimbursement for food and meal preparation costs, ongoing training in the nutritional needs of children, and onsite technical assistance in meeting the program's strong nutritional requirements. The Child and Adult Care Food Program (CACFP) provides high quality nutrition and learning experiences for three million children each working day: 2.3 million children in child care centers and 850,000 children in child care homes.

I. The impact of rising food costs

Rising food costs have increased the need for the Child and Adult Care Food Program, decreased access to the program and threaten to reduce meal quality.

A. Rising food costs are increasing the need for CACFP

The urgent need for CACFP has increased as families struggle to make ends meet in the face of rising food costs. CACFP becomes even more important to help fill the ever widening gap between what families can afford to buy and what young children need to stay healthy and grow strong. More and more children are coming to child care hungry.

I would like to share two stories, both indicative of what we are hearing from child care providers and centers around the country:

- A child care center director using CACFP to serve 150 children from a very low-income Latino community said, "Our milk bill increased 25 percent this year. There were huge increases in all the other foods that form the basis of good nutrition. If we are having trouble buying milk imagine what it must be like for our families. There is still the issue of hunger. Children come to our center hungry and they will eat anything."
- "This program is really important." said a CACFP family child care provider, commenting of the impact of rising food costs. "On Mondays the kids are famished. They eat like they are starving. I don't know what they are eating over the weekends, but I have to plan big meals for Mondays."
- "The kids are hungrier and they eat more food." Said a provider describing the impact of the rising cost of food on the children she serves.

These hungry children are experiencing food access problems at a crucial period of growth, when healthy bones and muscles are formed and the brain is learning to make important connections. In this era of rising food prices CACFP is an absolutely essential support for child care centers and providers working to provide plenty of healthy nutritious food to the young children in their care.

Studies have documented the importance of good nutrition, and CACFP, to young children's development and achievement. For example, USDAs' Evaluation of the Child and Adult Care Food Program found that children in CACFP received meals that were nutritionally superior to those served to children in child care settings

without CACFP. For a summary of other research demonstrating the positive impact of CACFP please see the attachment fact sheet.

I would like to highlight the positive findings of our recently completed California study. When comparing the meals and snacks children brought from home to eat in child care without CACFP to the meals and snacks served in child care with CACFP, we found that meals and snacks brought from home had significantly poorer quality than meals and snacks served by CACFP providers. (Children were sent to child care with a wide range of foods including a McDonald's McGriddle with sausage.) Meal quality was higher for the CACFP meals which generally featured more fruits and vegetables, lean meat and milk. For example, none of the meals and snacks from home included milk.

CACFP's good nutrition is important not just because it provides enough food but because it provides the right foods. As we pointed out earlier, families are being squeezed by increased costs in many areas, trying to keep their children housed, clothed and fed requires hard choices. Contributing to the difficulty is the fact that many of the healthier foods have increased in cost even faster than less healthy foods. The April 2008 Journal of the American Dietetic Association article, Increasing Food Costs for Consumers and Food Programs Straining Pocketbooks, pointed out that "Recent research looking at the price changes in low- and high-calorie foods also indicate that food price increases vary by food category. Low-calorie food (primarily fruits and vegetables) cost 20% more in 2006 compared to 2004, while calorie-dense foods including potato chips, cookies, and candy bars cost 2% less over the same 2-year time span."

Nutrition problems start early. The number of overweight preschool children has grown significantly. According to the Centers for Disease Control and Prevention 5 percent of children age 2-5 were overweight in 1980. By 2004, that number had grown to 14 percent. Research has shown that these children are much more likely to be overweight as teenagers and that overweight teenagers are more likely to be overweight adults.

Many children are in care over eight hours each day and eat the majority of their meals at child care. Child care plays a central role in providing healthy food and shaping the nutrition habits of young children. Since many of the habits learned in the preschool years will last a lifetime, CACFP can help to make sure that these nutrition habits are good ones.

We believe it is especially important now to strengthen nutrition program supports, as well as connect more families to CACFP and other federal nutrition programs, that can help them stretch their limited funds and access to healthy foods.

B. Rising food costs are threatening access to CACFP

1. ACCESS TO CACFP IS DECLINING AND NUTRITION QUALITY IS THREATENED AS CHILD CARE PROVIDERS AND CENTERS ARE PRESSED TO THE LIMIT BY RISING FOOD PRICES

At the same time need is increasing, access to CACFP is declining and nutrition quality is threatened. We risk a deterioration in the quality of nutrition served and providers dropping out because, to the degree reimbursement levels are too low to begin with, even with an index for inflation, the cost of the un-reimbursed part of the program is rising rapidly and deterring participation or quality improvements. The rising costs generate additional pressure in an already delicate balance between the value of CACFP to child care centers and providers and the "real costs" to participate including excessive and for some difficult paperwork. If providers and centers choose not to participate, then children have no choice.

The cost of food is rising rapidly, with the cost of food necessary to meet the CACFP meal pattern requirements rising even faster. For the 2008-2009 year the inflation adjustment for child care centers reimbursement rates is 4.272 percent (based on changes in the Consumer Price Index for Food Away for Home) and 5.773 percent for child care homes (based on changes in the Consumer Price Index for Food at Home.) The price of milk, a key component of CACFP's nutritious meals, has risen 10 percent in the last year.

Here are some quotes typical of the stories playing out across the country:

• "I shop at discount stores and try to stretch the money." Said a long time CACFP family child care provider. "I try to buy fresh fruits and vegetables, whatever is in the store that week, but the cost is going up. The cost of apples is way up. Bananas, you couldn't even get them for awhile. Everything we use: apples, broccoli * * * is going up. Even the canned stuff is going up and the fresh is even higher when you can get it. Milk has doubled, and that's every day. Plus I buy soy milk for the kids who can't drink milk. We really need the food program. So many kids will suffer if we don't have it. And then the learning will suffer. I'm not out

buying a Cadillac with my check. I buy food and I supplement it with my own money."

• "We are taking away from our instructional materials funding to feed our kids. It is essential with the obesity crisis, that we take the responsibility to insure they have healthy meals. We really serve low-cost meals and serve lots of beans." A CACFP low-income child care center director explains. "In November and December we buy up turkeys cheap and stuff our freezers and use them for our protein source all year long. And the cost of all our food related supplies have gone up too, deliveries have added fuel charges and pass on the increased costs. We are now pulling money from other programs to pay for the extra food costs."

• A provider commenting on the cost to children and families said, "The kids miss the meat most of all. The variety of fruits and vegetables is limited because we have to buy at Costco and they have a very limited variety in the #10 cans. We now have to ask parents to supplement our food service and bring food to provide the additional snack we are not reimbursed for."

• A director of Head Start and Pre-K programs serving 640 children in the school year said, "Our fiscal people say that we will subsidize CACFP reimbursements to fill a short fall of $100,000."

For some child care providers and centers the balance has shifted, the cost of the gap between the reimbursement level and the cost of meeting the CACFP meal pattern and paperwork is finally pushing them off the program. In many cases, providers do not the resources to make up a significant shortfall because child care is a low-income profession. Participation in the family child care portion of the program continues to decline and for the first time child care center participation has decreased. Only about 41 percent of the children in a licensed family child care are in a home providing CACFP meals and snacks. I am concerned about the nutritional value of the meals and snacks available for the 59 percent of children in homes without CACFP.

The family child care providers tell us "It is just not worth it." It is easier to serve cheap less nutritious meals and to operate without the CACFP oversight and the paperwork burden. It is also common for providers and centers to forgo a meal service altogether and simply let children rely on food sent from home.

• A CACFP sponsor explaining the barriers to participation for providers said: "We also consistently heard from the child care providers about the difficulty completing the paperwork, the amount of time it took from them which meant less time for quality interactions with children. Many providers for whom English is a second language had a difficult time with the paperwork, the amount of time it took for them which meant less time for quality interactions with children."

The negative impact of rising food costs has intensified existing barriers to participation in the programs including the means test in the family child care portion of CACFP. Before the implementation of the means test the family child care portion of CACFP was one of the fastest growing federal food programs. Since the implementation of the means test, the number of family child care homes, children and meals and snacks served in family child care homes through CACFP has been declining steadily. Since the implementation of the means test, there has been a 27% drop in the number of family child care homes participating in CACFP. (Thirteen states have had a drop of 42% or more.) It is time to STOP THE DROP!

2. ACCESS IS THREATENED AS RISING FOOD PRICES PUSH CACFP SUPPORT SYSTEM TO THE TIPPING POINT

Rising food and fuel costs also threaten access by exacerbating long standing pressures on the already fragile CACFP support system. The network of CACFP sponsors, the non-profit community-based organizations supporting the CACFP participation of family child care homes, is breaking down as sponsor after sponsor leaves the program. This is particularly problematic in California where half of the sponsors have dropped out in the last twelve years. Nationally, 27 percent of the sponsors have left the program.

In the 2006 USDA report, Administrative Costs in the Child an Adult Care Food Program: Results of an Exploratory Study of the Reimbursement System for Sponsors of Family Child Care Homes, researchers reported that "Costs reported by sponsors on average were about 5 percent higher than allowable reimbursement amounts." The current increases in food and fuel prices are pushing an already underfunded system further into the red.

CACFP sponsors struggle with increasing costs:

• "we have added homes from other counties as the sponsors in those areas decided to stop sponsoring the program. In the interest of providing the services of the programs, 4Cs decided to expand our service area * * * It costs more, of course,

to monitor in the extended areas: both the mileage costs to monitor and the additional staff time. For example to monitor a home in Corte Madera, 42 miles away, it takes at least a 3 hours travel time." said the director as she described the need to supplement CACFP with other funding. She then went on to address another contributing factor tipping the cost neutral balance, a loss of economies of scale for CACFP sponsorships as providers food costs go up and they drop out of the program. "We are struggling to maintain the current number of active providers * * * From a provider's point of view the program requirements are too strict, especially when they get reimbursed such a small amount for breakfasts and snacks."

• In describing the pressures that led them to recently drop their sponsorship of CACFP the vice president of the Child Care Resource Center said, "CCRC gave up the federal nutrition program because of the low administrative reimbursement combined with draconian reporting requirements for the monitoring staff. It was with great sadness that we gave this program up—we believe strongly in the value of providing nutritious meals to low-income children, and providing nutrition education to the family child care providers. "she said, "Should the administrative reimbursement increase and reporting requirements become more reasonable we would be very willing to become a food program provider[sponsor again]."

Child care plays a central role in shaping the nutritional habits of young children. Through in-home visits, group classes, and ongoing assistance and support CACFP sponsoring organizations teach child care providers not just the importance of good nutrition but practical advice and guidance on serving good and nutritious food. Unfortunately, as the paperwork and cost of administering the program increase exponentially, quality nutrition education is being squeezed out and sponsors are dropping out of the program. This is particularly problematic given the negative impact of rising food costs including the growing rates of food insecurity in families with young children and the continuing need to address the increasing rates of overweight and obesity in preschool children.

II. Potential solutions: Options for protecting access and quality in a time of increasing need

We would like to offer our recommendations for the stimulus or other bills focused on ameliorating the negative impact of the rising food costs on low-income families. We know there is a conversation about reimbursements which we will address in detail in our recommendations. Rising food costs are ultimately about children and families struggling to make ends meet. We need to open the door to CACFP and solve access problems. Today we will focus on opportunities within this committee's jurisdiction, not discuss the need to include additional funding for food stamps in the next stimulus bill, but instead focus on recommendations for the short term (the stimulus) and long-term, next years' Child Nutrition Reauthorization.

A. Stimulus bill

We recommend the inflation adjustment for the child nutrition programs be improved by inserting a trigger requiring a mid-year adjustment if the relevant Consumer Price Indexes rise above a specific level. In years with rapidly rising food inflation a mid-year adjustment would help to more quickly bring some much-needed relief to CACFP child care providers and centers struggling to serve nutritious foods on a limited budget.

The rapidly rising food costs during this past adjustment year (July 1, 2007 to June 30, 2008) provide an example of the need for a mid-year adjustment:

• For the average CACFP family child care provider serving low-income children a breakfast, lunch and a snack, a mid-year adjustment would have resulted in an additional $55 for the second half of the year.

• Providers serving children from a mix of incomes (half and half) would have received about $43 more in CACFP reimbursements the last six months.

• Family child care providers serving children with incomes over 185 percent of poverty a CACFP breakfast, lunch and snack would have received $31 more for the second half of the year. (On average CACFP providers serve 6 children.)

• The average CACFP child care center, serving 45 children a breakfast, lunch and snack, would have received approximately $380 more in CACFP reimbursements in the last six months. (Participation assumptions based on national averages: 63% Free, 8% Reduced Price, and 29% Paid Category.)

A provision of this type would need to amend not only the school meals adjustment but also the adjustment section for the CACFP family child homes in 42 U.S.C. 1766(f)(3)(A)(ii)(IV). CACFP family child care home rates are adjusted based on the Consumer Price index for "Food at Home." Adjustments to the CACFP child care center rates are the same as the school meals adjustment (CPI for "Food Away From Home") and are determined in the school meals adjustment section.

B. Child Nutrition reauthorization

The 2009 Child Nutrition Programs Reauthorization will be an important opportunity to improve the program. There are millions of children in child care who could benefit from CACFP but are currently unserved. The following recommendations would help to improve program access and protect the quality of CACFP services for children in child care.

Streamline Access for Eligible Low-Income Children:

• Reduce paperwork by extending CACFP categorical eligibility to other beneficiaries of means-tested federally funded programs supporting working families, including Medicaid/SCHIP programs.

• Reduce the area eligibility threshold in family child care from 50 percent to 40 percent.

• Establish area eligibility for child care centers.

Enhance Meal Reimbursements:

• Dramatically revise or eliminate the burdensome CACFP means test for children in family child care homes and thereby open up access.

• Allow CACFP to offer the option of a third meal, most likely a supper, for children in child care centers over eight hours.

• Increase CACFP reimbursements to reflect the increased costs of meeting the Dietary Guidelines.

Improve CACFP's ability to reach low-income families by streamlining program and paperwork requirements:

• Streamline program operations, increase flexibility, and maximize technology and innovation to allow sponsoring organizations and providers to operate most effectively.

• Direct the Secretary to revise the Block Claiming criteria to be consistent with the reality of serving low-income families in child care.

• Allow carryover funds and CACFP sponsoring organizations to plan multi-year administrative budgets.

• Restore the right to advance funds for sponsors and child care centers to cover program costs up front.

• Allow CACFP family child care providers to facilitate the return of participating children's family income form.

• Continue USDA Paperwork Reduction Initiative.

Improve the Nutritional Value of the Meals and Snacks Served:

• Direct the Secretary of Agriculture to issue proposed regulations updating the CACFP meal pattern, including recommendations for the reimbursements necessary to cover the costs of the new meal pattern, within 18 months of the publication of the IOM CACFP Meal Pattern report. (We are hoping to get the IOM study funded through the appropriations process this year.)

Strengthen the Support System:

• Increase the sponsors' administrative reimbursement rate with nutrition education funding.

• Enhance sponsoring organization reimbursement rates for serving family child care homes in rural areas to cover transportation costs.

• Enhance sponsoring organization reimbursement rates for serving family child care homes in low-income areas to cover the costs of additional visits, and time spent in helping providers overcome literacy and language issues.

• Fully fund USDA FNS child nutrition functions to restore adequate staffing levels for the child nutrition programs at the federal and regional level.

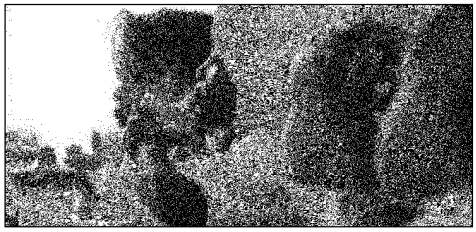
III. Conclusion

Thank you for this opportunity to share what we know about the impact of rising food costs on CACFP. Clearly it is in the best interests of the millions of young children in child care to act to protect CACFP access and quality in this time of increasing need. I would like to close with a quote from a CACFP child center director who said "We worked really hard to make really good changes to our menus to provide nutritious meals to our kids. We can't go back on them."

[Additional submissions from Ms. James follow:]

The Child and Adult Care Food Program Supports Good Nutrition in Quality Child Care

CACFP Supports Good Nutrition



The Child and Adult Care Food Program, a federal nutrition program, is a key source of support for child care in family child care homes, Head Start and after school programs and child care centers.

The program provides reimbursement for food and meal preparation cost, ongoing training in the nutritional needs of children, and onsite technical assistance in meeting the program's strong nutritional requirements.

The Child and Adult Care Food Program provides high quality nutrition and learning experiences for nearly three million children each working day. The program is a well documented success:

- The U.S. Department of Agriculture's *Evaluation of the Child and Adult Care Food Program* found that children in the Child and Adult Care Food Program received meals that were nutritionally superior to those served to children in child care settings without the Child and Adult Care Food Program.

Prepared by the Food Research and Action Center
Geraldine Henchy

Contra Costa Child Care Council

NUTRITION EDITION

Your Guide to Child Health and Nutrition

July 2008 Volume 1 Issue 3

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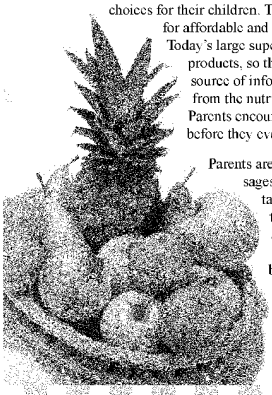
Where's the Fruit?

Surveys of children's food habits reveal a disturbing trend over the last 60 years. Up to 80% of today's young children have diets that are considered "poor" or "in need of improvement" states nutrition expert Marion Nestle from New York University. Children are consuming less than the daily recommended servings of fruits, vegetables and whole grains, while consuming excess calories in the form of added sugars and fats.

The appearance of Type II diabetes, formerly known as adult-onset diabetes, in adolescents and younger children has sounded an alarm around the country. A nutritious diet and regular physical activity for children has become a public health priority. Establishing good dietary habits in childhood promotes healthy growth and development and reduces risk factors for diabetes, cardiovascular disease and cancer in adulthood.

Parents concerned about their children's health try to make healthful food choices for their children. They scan the supermarket aisles looking for affordable and nutritious items to feed their families. Today's large supermarkets may display as many as 40,000 products, so these choices can be overwhelming. One source of information for making food choices comes from the nutrition facts available on product packages. Parents encounter other food marketing messages before they even enter the supermarket.



Parents are not the only targets of marketing messages. Children are seen as prime marketing targets for their direct purchasing power, their influence on parental purchases and their future purchasing power. Companies actively cultivate early brand loyalty among children in hopes of influencing what they will purchase as adults. In order to attract children, product advertising and packages tend to be brightly colored and often include

— Continued on page 2

did you know...

- The average person eats almost 175 pounds of sugar a year – that's about a half a pound of sugar a day.
- Soda is the #1 source of sugar in the American diet.
- The average teen drinks more than 750 cans of soda per year. U.S. teens drink twice as much soda as milk.
- Drinking just one 20-ounce bottle of soda each day for a year can result in gaining 25 extra pounds.
- Two out of three Americans are overweight or obese.
- Americans spend $56 billion annually on purchasing sugary soft drinks.
- High Fructose Corn Syrup (HFCS) was the first scientifically engineered sugar. In 1970 it accounted for less than 1% of all sugar consumed. Today HFCS accounts for half of all sweeteners.
- Adding a slice of orange, lemon, lime or cucumber to your water adds zero calories and lots of flavor.

Sources: *Women's Health, Bay Area Nutrition and Physical Activity Collaborative*

INSIDE:
- Quenching Thirst: Healthy Drink Choices
- Soda Free Summer
- California Children's Outdoor Bill of Rights
- Label Detective

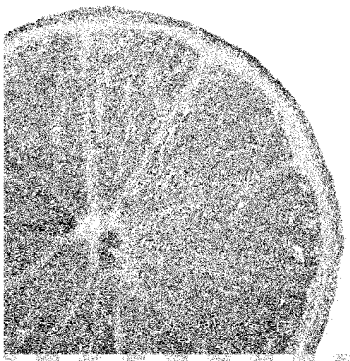
Where's the Fruit?

– Continued from front page

branded fictional characters or a familiar children's icon. According to an article in the Institute of Medicine, "An estimated $10 billion per year is spent for food and beverage marketing to children and youth in the United States." The majority of these food and beverage products are high in salt, sugar, fat and calories and low in nutritional value.

> "An estimated $10 billion per year is spent for food and beverage marketing to children and youth in the United States."
> —*Institute of Medicine*

Although specific health claims and nutrient content claims are regulated by the Food and Drug Administration, there are still many phrases that food and beverage manufacturers include on packages that might mislead parents. Terms such as *high-energy, low-fat, multi-grain, all natural* or *fruit-flavored* imply that a food is healthy. These terms regularly appear on highly advertised products such as breakfast cereals, fruit drinks and children's snacks. Parents need a working knowledge of nutrition to read the ingredient list and nutrition facts panel and realize that many of these products are frequently high in added sweeteners and may contain very little of the healthful ingredients they claim to have.



Parents may have difficulty making healthy choices for their children because the advertising and packaging does not clearly represent the product's contents. Recently, the Strategic Alliance for Healthy Food and Activity Environments conducted a study focusing on product advertising and packaging. Thirty-seven products were linked with fruit by using pictures or references to fruit in the product name or phrases on the label. The products were analyzed for the type of fruit ingredient they contained.

Ten products out of 37 contained real fruit or fruit from concentrate and two contained 100% fruit juice. The remaining 25 products contained no fruit or minimal fruit. These results show that nearly two-thirds of highly advertised children's food products with images or references to fruit on the package contained little or no fruit and were high in added sweeteners. Parents might think that the product is a healthy choice based on the packaging. However, most products do not actually deliver any of the nutritional benefits of whole fruit.

Many current package labels are misleading parents and children. The Dietary Guidelines for Americans include fruit as an important part of a nutritionally balanced diet. Parents need to remember that it is the fruit listed in the ingredient list, not shown as pictures on the packaging that delivers nutritional benefit. For more information visit www.preventioninstitute.org.

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Nutrition Edition July 2008

KIDS' HEALTH & SAFETY

Quenching Thirst: Healthy Drink Choices for Young Children

CHOOSING HEALTHY DRINKS is an important consideration for parents and caregivers. Healthy drinks provide nutrition and hydration; unhealthy drinks can lead to childhood obesity, dental decay and anemia.

Developmental Skills and Drinking

By about 12 months infants should be weaned from a bottle and drinking from a cup. Infants who continue to breastfeed also need to drink from a cup as the frequency of breastfeeding gradually decreases.

One-year-olds need help to hold a cup and regulate flow. This can be a messy process! Set limits with sippy cups since they can promote intermittent sipping which can lead to oral health problems.

Two-year-olds have the arm muscle strength and coordination to hold a cup and will experience fewer spills.

Three-year-olds are developing hand muscles and can manage different sizes and shapes of cups. Introduce self-help skills such as pouring from a small pitcher.

Four-year-olds can use finger muscles, have more self help skills and can drink from a drinking fountain. Teach sanitary drinking fountain practices.

Healthy Drink Choices

Milk is important for bone growth. Children who are 1–2 years of age should drink 16 ounces of whole milk per day. The American Academy of Pediatrics recommends switching to low fat milk at age 2.

Can a young child drink too much milk? Yes! Children who drink too much milk may not have an appetite for the other foods they need for growth and development. Young children need a varied diet that includes sources of iron. More than 24 ounces of milk per day puts a young child at risk for iron deficiency anemia, which can cause intellectual and behavior problems.

Active and thirsty children need water. Make sure fluoridated water is available. Consider providing drinking water in outside play areas.

Drink less sugar. Limit juice to one 4-6 ounce serving of 100% fruit juice per day. Sugary fruit drinks and soda add calories that have no nutritional value. Drinking soda and other sweetened drinks is linked to obesity and dental decay in children. The American Academy of Pediatrics recommends no juice for infants under 6 months and cautions that soda or juice should never be put in a bottle.

Keep Children Well Hydrated

Fluids help with digestion, thinking and energy. Offer plenty of fluids; especially water, to help children stay well hydrated. This is especially important when the weather is warm, when children are getting vigorous exercise or when they are recovering from illness.

Marketing and Children

The marketing of soft drinks is often aimed at children. Many food and drink manufacturers will use favorite movie or cartoon characters to promote their products. Since children can't tell the difference between TV shows and advertisements they usually don't understand that advertisements are trying to sell products. Be media savvy!

Bobbie Rose, R.N.
California Child Care Health Program

Crunchy Chicken Fingers

Chicken breasts, skinless, boneless	**12 ounces**
Egg, lightly beaten	**1**
Honey	**1 Tbsp**
Mustard	**1 tsp**
Cornflake crumbs	**2 cups**
Salt	**¼ tsp**
Pepper	**dash**

1. Preheat oven to 450°F. Lightly spray a baking sheet with non-stick spray.
2. In a shallow dish combine egg, honey and mustard. In another shallow dish combine the cornflake crumbs, salt and pepper.
3. Cut chicken into ¾ inch strips. Dip chicken strips into egg mixture and roll them in the crumbs. Arrange strips on baking sheet and bake 12 to 15 minutes.

Yield: 4 servings

Meets requirement for protein/meat alternate

Creamy Pasta Bake

Whole-wheat pasta shells	**6 ounces**
Olive oil	**1 Tbsp**
Mushrooms, quartered	**½ cup**
Broccoli florets, steamed	**1 cup**
Chicken, cooked, shredded	**3 cups**
Cornstarch	**1 tsp**
Milk	**1 cup**
Sour cream	**⅓ cup**
Cheddar cheese, shredded	**½ cup**
Salt and pepper	**to taste**

1. Preheat oven to 375°F. Cook pasta according to package directions and drain.
2. Sauté mushrooms in oil until lightly brown. Add pasta, broccoli and chicken to skillet.
3. Blend cornstarch with a little milk in bowl, and then gradually add remaining milk, stirring until smooth. Add cornstarch mixture and sour cream to pan and warm mixture through. Season with salt and pepper.
4. Transfer to baking dish. Top with cheese and bake for 15 minutes.

Yield: 6 servings

Meets requirement for grains/breads and protein/meat alternate

Healthy Cooking for Your Kids

Zucchini Oatmeal Muffins

Zucchini	**1 medium**
Flour	**1 ½ cups**
Rolled oats	**1 cup**
Baking powder	**2 ½ tsp**
Salt	**½ tsp**
Milk	**1 cup**
Egg	**1**
Vegetable oil	**½ cup**
Molasses	**3 Tbsp**
Chopped nuts or dried fruit	**¼ cup**

1. Preheat oven to 425°F. Wash zucchini (do not peel), shred and set aside.
2. Mix dry ingredients together. Add milk, oil and molasses and stir just until combined.
3. Gently stir in the zucchini and nuts or fruit. Fill well greased muffin tins 2/3 full. Bake 15 minutes.

Yield: 12 muffins

Meets requirement for grains/breads

— San Francisco Chronicle

Frozen Fruit Treat

Strawberries	**2 cups**
Pineapple, crushed	**1 (16 ounce) can**
Bananas	**3**
Frozen orange juice concentrate	**1 (12 ounce) can**
Water	**1 ½ cups**

1. Blend all ingredients together. Fill 8-ounce paper cups about 3/4 full and freeze.
2. Serve partially defrosted.

Yield: 10 servings

Meets requirement for fruit/vegetable

Healthy Recipes and More

What's in Season?

When shopping for fresh fruits and vegetables this month, look for apricots, avocados, beets, berries, cabbage, cantaloupe, carrots, celery, corn, cucumber, eggplant, green beans, green lima beans, honeydew, nectarines, peaches, pears, peppers, plums, potatoes, summer squash, tomatoes and watermelon.

California Children's Outdoor Bill of Rights

The California Roundtable on Recreation, Parks and Tourism, a consortium of state, federal, local academic organizations, private and non-profit organizations, was founded in 1998 to encourage cooperation between public and private entities involved in outdoor recreation, public lands and tourism in California.

With recent concerns regarding youth detachment from outdoor activities, lack of physical exercise and increased health risks, the California Roundtable on Recreation, Parks and Tourism adopted the California Children's Outdoor Bill of Rights for the purpose of recommending a fundamental list of experiences that every child in California would benefit from experiencing before entering high school.

Every Kid's Life List

Every child should have the opportunity to:

- Discover California's past
- Splash in the water
- Play in a safe place
- Camp under the stars
- Explore nature
- Learn to swim
- Play on a team
- Follow a trail
- Catch a fish
- Celebrate their heritage

Mission: To encourage California's children to participate in outdoor recreational activities and discover their heritage.

Reason: Numerous studies have shown that children who participate in outdoor recreational activities are healthier, do better in school, have better social skills and self-image and lead more fulfilled lives.

Objective: That every child in California should, by the end of their 14th year, have the opportunity to experience each of the activities listed within the California Children's Outdoor Bill of Rights.

Governor Arnold Schwarzenegger issued a proclamation July 6, 2007, recognizing the Children's Outdoor Bill of Rights.

For more information, visit www.calroundtable.org.

The Label Detective

What are "added sugars"?

Sugar is a type of carbohydrate that occurs naturally in many foods including milk, fruits, some vegetables, breads, cereals and grains. "Added sugars" are sugars and syrups that are added to foods or beverages during processing or preparation. Added sugars can contribute extra calories with none of the nutrition of the whole food.

Reading the ingredient label on processed foods can help to identify added sugars. A partial list of added sugars on food labels include:

- **Brown sugar** is sugar crystals contained in molasses syrup with natural flavor and color.
- **Corn syrup** is thick, sweet syrup made from cornstarch. It is less sweet and less expensive than sucrose and is used in baked goods and sweetened beverages.
- **Fructose** is the sweetest sugar, and is found naturally in honey, fruit and some root vegetables. Fructose also makes up half of common table sugar.
- **Glucose,** also known as dextrose, is found naturally in some carbohydrate foods and is commonly added to sports drinks.
- **High-fructose corn syrup (HFCS)** is made from corn and is used as a sweetener and preservative in many processed foods. HFCS is a manmade product produced in the lab and has no connection to fruit.
- **Honey** is the sweet, syrupy fluid made by bees from the nectar collected from flowers and is stored in nests or hives as food.
- **Lactose** is about one third as sweet as sucrose and is present in milk and dairy products.
- **Maltose** is the least common sugar in nature. It is present in germinating grain and in small amounts in corn syrup.
- **Molasses** is separated from raw sugar during processing. Blackstrap molasses is superior because it provides small amounts of some vitamins and minerals.
- **Powdered or confectioners' sugar** is granulated sugar that has been crunched into a fine powder and combined with a small amount of corn starch to prevent clumping.
- **Raw sugar** is produced in the initial stages of the manufacturing of white sugar.
- **Sucrose,** also called table sugar, is made from sugar cane or sugar beets.

We should all strive to eat plenty of complex carbohydrates (natural sugars) from whole grain breads, cereals, pasta, brown rice, fruits, vegetables and legumes. Try to limit refined "added sugars" which provide extra calories with negligible nutrients.

Food Funny

Q: Why is a tomato round and red?

A: Because if it was long and green, it would be a cucumber!

Funded by the USDA's Food Stamp Program through the California Nutrition Network for Healthy, Active Families. This institution is an equal opportunity provider and employer. The Food Stamp Program provides nutrition assistance to people with low income. It can help buy nutritious food for a better diet. For information on the Food Stamp Program, call 1-877-847-3663.

CHAMPIONS for CHANGE

Activity Corner

Have a Soda Free Summer

Challenge yourself to make a **difference** in your health.

Instead of soda, commit to drinking:

- Water (every day—all you want)
- Non-fat or low-fat milk
- 100% fruit juice (limit to ½ cup daily)
- Unsweetened iced tea
- Diet soda (once in a while)

Commit to a Healthier You! For more information, visit www.sodafreesummer.org

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I Want to Grow Up Healthy, So Please...

Don't use foods to reward, bribe, punish or comfort me.

Be patient, because it may take ten or more times before I will eat something new.

I learn new skills like pouring, scooping and passing when given the opportunity to serve myself. I like to help.

Give me age appropriate finger foods for practice. Protect me from choking.

Remember, I know how much to eat, but I need help in choosing foods that will help me learn and grow.

- Everyone who cares for children has an important role in promoting their nutritional health.
- Being a good role model is the best teacher because children learn from us as we talk and eat together.
- These early years are an opportunity to develop healthy habits for a lifetime.

Brought to you by The CHANCE Project

Child Care Council

Quiero crecer sano, así es que por favor...

No usen la comida como recompensa, soborno, castigo o consuelo.

Sean pacientes porque puedo tardar diez o más veces hasta que coma algo nuevo.

Cuando me dan la oportunidad de servirme sola, aprendo nuevas destrezas como vertir, sacar con cuchara o pasar algo. Me gusta ayudar.

Para practicar, denme alimentos apropiados a mi edad. Eviten que me atragante.

Recuerden: yo sé cuánto comer pero necesito ayuda para elegir los alimentos que me ayudarán a aprender y a crecer.

- Todo aquél que se preocupe por los niños tiene un papel importante en la promoción de su salud nutricional.
- La mejor manera de enseñar es siendo buenos modelos, porque los niños aprenden de nosotros cuando hablamos y comemos juntos.
- Estos primeros años son una oportunidad para desarrollar hábitos de saludables para toda la vida.

Esto le fue presentado gracias a The CHANCE Project

Child Care Council

Contra Costa
Child Care Council

Sample Nutrition Policy

As a commitment to your child's health, this child care program follows these guidelines in feeding your child:

- Meals and snacks served to children will meet the USDA Child and Adult Care Food Program (CACFP) meal pattern requirements, which are available upon request.
- We serve reduced fat milk (1%) after age 2 years. We will encourage a variety of healthy foods with emphasis on plenty of whole grain breads and cereals, fresh fruits and vegetables and protein from both animal and vegetable sources.
- We will serve foods of high nutrient value. We will limit high fat, high sugar foods that are low in nutrient value, in an attempt to help children learn to enjoy healthy foods. Fruit juice will not be served more than once a day and in child size servings. Children will always have access to drinking water.
- Children need many chances during the day to eat in order to insure that their small tummies do not get too hungry. Meals and snacks will be offered to children at least every 2-3 hours.
- In accordance with the American Academy of Pediatrics recommendations, infants will be fed expressed breast milk or an iron fortified formula for the entire first year. When the infant is developmentally ready, and with your approval, solids will be introduced. Infants will **always** be fed on demand.
- We strive to make our mealtime environment pleasant. We believe that sitting and eating with children provides an opportunity for positive role modeling and social interaction.
- We serve family style whenever possible because it is important for children to learn to serve themselves. We will never force, trick or coerce a child into eating. We will honor the division of responsibility in feeding children, acknowledging that our role as caregivers is to provide nourishing food and it is the role of the child to decide how much or even whether to eat.
- Our child care setting uses size appropriate furniture, utensils and dishes at mealtime. Children will gain confidence in eating as they learn to eat successfully on their own.
- As we try to make meals and snacks as nutritious as possible, we ask that you help support these policies by leaving all sweets at home, unless special arrangements have been made in advance. We will be happy to share newsletters and other nutrition related information with you.
- Hands are always washed before all meals and snacks.

Contra Costa Child Care Council

Chairman MILLER. Thank you.

Thank you, again, to all of you.

Mr. Matustik, you talked about this joint powers interagency agreement that you have. Is that unique in California? Do other districts do this?

Mr. MATUSTIK. Mr. Chairman, as far as we know, we are the only school food service JP or intergovernmental agency in California for sure and maybe in the nation. There are other JPAs for other reasons, but not for the food.

Chairman MILLER. Right.

Dr. Wilson, would that be right?

Ms. WILSON. Yes, he really has been kind of on the leading edge of putting this together, and has put a number of districts together. And we don't know of any other one that operates under the same conditions with this intergovernmental agency.

Chairman MILLER. Is that a model worth exploring?

Ms. WILSON. I am sorry?

Chairman MILLER. Is that a model worth exploring?

Ms. WILSON. It absolutely would be. I think that there are challenges to that, as well. They are lucky to have a director that is knowledgeable and trained in that program, but I think when you look at all the little, tiny districts throughout this country, it is difficult for them to even come together and bring that together. And then, too, you know, it takes dollars to even put something like that together.

A number of school districts across the country have formed co-ops with other districts, but then you have to pay somebody to run that. You also have to have the warehouses to put all the food in if you are buying in bulk or buying in larger quantities.

But it is definitely something worth exploring.

Chairman MILLER. Mr. Matustik, do you want to comment on that?

Mr. MATUSTIK. The biggest hurdle we found—because we have districts who come to us and ask for expertise and advice, but then suddenly you have egos starting to work in, because you put five districts together, you are losing, minimum, four directors, maybe five. People like to own. You know, the business managers, the superintendents like to own their food services. They just need to start looking at it completely different, and I think that if they go into it, you see the rewards.

Chairman MILLER. Thank you. That is worth considering.

Ms. James, thank you for your testimony. We have obviously started to recognize at the national level, and certainly people all across the country have, the question of childhood obesity. And you suggested in your testimony that we are getting to a point where what we know we should do and what we are starting to do, because of prices, is starting to get compromised.

Do you want to elaborate a little bit?

Ms. JAMES. Well, first of all, I would like to say, and I didn't have a chance to say in my testimony, that the Child and Adult Care Food Program is a program that we should be growing, as opposed to seeing it decline. Because, certainly, what we know about the prevention of childhood obesity is really becoming more focused on very young children, specifically children under the age of 5.

I think it certainly speaks to the fact, when we look at the American Academy of Pediatrics, it has recently recommended perhaps giving cholesterol medication to children at the age of 8, and certainly we know that children really need to have a very healthy start and be exposed to a lot of variety and healthful foods in child care and certainly before the age of 5.

Chairman MILLER. You mentioned the kinds of foods that are starting to creep into the program as people downgrade the quality.

Ms. JAMES. You know, certainly at a time when we are really struggling to try to increase fresh fruits and vegetables and whole grains, not only in schools but certainly in the child-care setting,

I find myself in an uncomfortable position, trying to educate child-care providers to increase that consumption or increase the servings of fresh fruits and vegetables and to buy the whole grains, because the cost is prohibitive.

I mean, I think as Judy Wagner from Concord Child Care Center said, it is really difficult for us to be looking at serving fresh fruits and vegetables when the kinds of crackers and other foods like that that we can serve children that really meet the federal guidelines for this program are so much cheaper.

So I think we are sort of between a rock and a hard spot in this situation. We know what people should be serving, and we know what we should be providing, but the reality is what the cost is, is making it prohibitive. And for people in the child-care business, they are also very low-income to begin with. There is not a lot of room for margin in that.

Chairman MILLER. Thank you.

Mr. Faber, it appears that we have sort of walked into a perfect storm here on a number of issues. Clearly, some recognition that there may be a worldwide food shortage as nations become richer, certainly countries like India and China, and then the droughts in Australia putting pressure on grains, the droughts through Africa putting pressure on grains.

Countries now, as you point out, putting export controls because they are fighting about whether or not they will be able to sustain, in some cases, subsistence levels for individuals in those countries. The increased energy costs that you point out, and then of course you can overlay that with weather in good parts of the world and in the United States.

You said you thought that food prices would continue up at 9 percent a year? Is that what you are saying?

Mr. FABER. That is correct.

Chairman MILLER. Mr. Leibtag, is that consistent with what you think or what the department thinks?

Mr. LEIBTAG. Nine percent, no. What is the number? I don't know what your estimate for yours is, but——

Mr. FABER. Bill Lapp, who is an independent economist, estimates what average food price inflation would be between 2008 and 2012. And he looked at what commodity prices were likely to be in light of increased production of food-to-fuel, as well as the other factors you talked about, in particular steadily growing global demand for protein and cereal grains, in particular. And he estimated that food prices would increase by a rate about 9 percent over the next 5 years.

Chairman MILLER. Mr. Leibtag?

Mr. LEIBTAG. That is certainly way above our estimates, at this point. As I mentioned, we are looking at about 5 to 5.5 percent this year. Certainly there will be some pressure on meat and poultry products for the next 2 or 3 years.

But the overall—again, we have to remember here that there is a difference between high prices and high inflation. I think that the price levels we are at now are probably not going to go down any time soon, but the rate of acceleration I don't see as being that high going out beyond the next year, year and a half.

But I will just add the one point. You know, the big question mark is energy markets, because so much of what is going on now is based on where we are at $130 more a barrel for oil and there is a lot of uncertainty there. A lot of the models people are looking at are assuming the energy market that, you know, probably we are never going to get back to. So there is some uncertainty.

Sorry, go ahead.

Mr. FABER. It might be worth noting that USDA has had a hard time estimating these sorts of increases in food price inflation and has fairly consistently underestimated the increases in the last few years.

So I think the—to get back to what I think your main point is, Mr. Chairman, is that, in light of all of these other factors, are they likely to diminish or are they likely to continue? And clearly, everything we know about global demand, we expect to see very significant increases, especially as people in China and India enjoy first-world lifestyles and consume more protein in their diets.

And in light of that factor, when you just step aside and look at what are global commodity stocks, how low are they, how fast is demand increasing, and what is happening with global agricultural productivity, when you look at that picture, it is a troubling picture.

Because, in the 1970-to-1990 range, global agricultural productivity was increasing about 2 percent annually. That has fallen to 1.3 percent and is expected to fall to 1.2 percent annually over the next decade. So, essentially, we have kind of a classic supply-demand problem, not so much a problem of a perfect storm.

Chairman MILLER. When you talk about—just quickly here—when you talk about food-to-fuel, the Department of Energy and USDA said that is about 4 percent of the increase. So 4 percent of the 5 percent is food-to-fuel. But there are other, obviously, energy costs in there beyond that. And I am standing by your testimony, the play-out in terms of the utilization of the resources and that, but—and direct impact on food.

Mr. FABER. Well, there are a range of estimates. The UNFAO, the World Bank, the IMF have all attributed significant increases in the price of commodities and, ultimately, the price of food to the recent sudden increase in the production of biofuels. I don't think there is any doubt that it is the dominant factor in the increase in price of especially corn in the last few years. There are different estimates because different models are being used.

I think the right question to be asking is, how much more of our corn crop and our soybean crop do we want to dedicate to fuel production in light of these other factors and in light of the fact that the E.U., other nations, are also enacting similar mandates?

No one has really looked at how these mandates are going to interact to drive up the price of these basic commodities in the next few years and, ultimately, drive up the price of food and the cost of administering these important programs.

Chairman MILLER. Thank you.

Mr. McKeon?

Mr. MCKEON. Thank you, Mr. Chairman.

Mr. Leibtag, your testimony makes clear that corn plays a major role in our food prices and costs. And unfortunately you state that,

"Due to the continued expansion of biofuel production, corn prices will likely be maintained at these historically high levels, which will in turn affect beef and poultry prices also."

Can you provide any recommendations for how to combat these rising costs?

Mr. LEIBTAG. On the producers' side, I mean, the question is always efficiencies, whether we are talking about a school lunch program, food services, livestock/poultry production. As you mentioned, I don't think, given the current situation, we are going to see any drop in corn prices in the near future. Again, it is tied to the energy markets quite a bit.

The way to save is to find other places to be more efficient. Whether that can happen, again, depends on the particular practitioner. But, you know, at this point, corn is a major ingredient in our animal feed, and it is becoming a bigger and bigger ingredient in our energy equation.

So I think that efficiencies are what you have to find, and that is what markets do. I mean, as an economist, I have to believe in markets on some level, and I do. And so that is where things are going to head in terms of producers and the choice of who is using the resources that are available in the world.

Mr. MCKEON. What about, like, in other places where they are using sugar beets or other commodities other than corn? Do we have the possibility of using other commodities, or is that a matter of acreage and it is going to be one or the other?

Mr. LEIBTAG. Ultimately we need to find additional alternative sources for energy. Corn turned into ethanol is not the solution on its own. You know, what Brazil has done with sugar, again, is another part of the solution, but I think even together, combined—it is not just going to be ethanol.

Mr. FABER. If I could just add one note on that, is that this year we will import about 650 million gallons of sugar ethanol from Brazil, but we could potentially import anywhere from 10 billion to 15 billion gallons of sugar ethanol from Brazil if we eliminated the 54-cent tariff on the imports of that ethanol.

Fortunately, Brazil won't increase its production to serve our market if they don't think they will have access to our market. And right now they don't. And there are certainly opportunities in some of the legislation that might still be enacted this year to address that issue.

Mr. MCKEON. If we could vote on those, yes.

Mr. Matustik, in your testimony you talked about the joint powers agreement, and the chairman asked you some questions about that. I am, of course, very familiar with it, having worked with those school districts.

What it is, in the Santa Clarita Valley, we have one high school district that services the whole valley and then four elementary districts that feed into the high school district.

You know, we could do the same kind of thing out in the Antelope Valley. We have a high school district out there, and we have all the elementary districts. But you have pointed out some of the problems with trying to get the people to get the other—have they talked to you? Have the people in the Antelope Valley come down and talked to you about this?

Mr. MATUSTIK. No, they didn't. They were doing—I don't know how their fiscal situation is right now, but they were doing okay.

However, you may be aware of, let's say, Whittier area, where we have quite a few small districts. There seems quite an interest from superintendents to put something similar together.

Mr. MCKEON. Actually, they are not that much different now. Antelope Valley is a little bit larger, but not that much. If you take Palmdale, Palmdale would be smaller than Santa Clarita. Lancaster would be smaller. Together they are a little bit larger. But I am going to talk to them, see if we can get them to talk to you to see if we can try to work something.

Mr. MATUSTIK. You have some really small districts around Palmdale and Lancaster that need help. They certainly need—one of those districts asked if we can help them, but we are too far. For us, it would be, like, 70 miles, 80 miles roundtrip——

Mr. MCKEON. Transportation costs would wipe that out.

By doing the co-op, though, you save a million dollars a year?

Mr. MATUSTIK. Well, minimum, yes. Because, as I said, this is for the 2007-2008 school year, we gave the member districts, those five member districts, we gave them $700,000. When I started there 15 years ago, they were about $250,000, $300,000 in the hole every year, which had to come from the general fund. So now we have reversed the situation and we are giving back money to the general fund.

Mr. MCKEON. So you are doing a better job of providing the food, plus saving money.

You talked about one more thing, if I could, seeing as how we are both from California, the $1 that the state charges for every case that they handle.

Mr. MATUSTIK. That is my complaint, Mr. McKeon, for the last 15 years, but it is getting worse and worse, in my opinion.

I can see the historical reason for it before the computer, that they needed people who were counting cases.

Here, this time, when USDA is so flexible and absolutely wonderful with the national processing agreement, my district, literally, I can order half a truck of fruits and vegetables coming to my warehouse. California doesn't see it, doesn't touch it. We do everything on ECOS, which, again, is a USDA program. But California still charges me a dollar for that case——

Mr. MCKEON. How do they find out how many cases you are getting?

Mr. MATUSTIK. Because officially it still has to go through the state. There is a state DA——

Mr. MCKEON. So they have a way to find out.

Mr. MATUSTIK [continuing]. And they know exactly how many cases I am getting.

And if I order a sack of potatoes, they want $2 for that sack of potatoes, because they say that really would be several cases because the sack of potatoes is, I don't know, 100 pounds or something like that.

I think it is completely ridiculous. I am fighting this for 15 years. If they are getting $1.3 million—and that is the official figure from USDA—for their administrative fund——

Mr. MCKEON. Just for your co-op?

Mr. MATUSTIK. No, for the whole California, for distribution——

Mr. MCKEON. $1.2 million——

Mr. MATUSTIK. But that is for administrative work——

Mr. MCKEON. What do they do with that?

Mr. MATUSTIK [continuing]. Half the price. [Laughter.]

Chairman MILLER. That and other questions will be answered by the committee in the future. It is sort of like having Tony Soprano as your partner.

Thank you.

Mr. Kildee?

Mr. KILDEE. Thank you, Mr. Chairman.

Mr. MCKEOn said if we could vote on something—we did vote on the agricultural bill. And the agricultural bill permits the sale of excess sugar for the production of ethanol.

Mr. Faber, what effect to you think that will have upon food prices?

Right now, also let me ask, where did you get your data? Because both the USDA and Department of Energy say that, in 2007, 3.4 percent of the extra cost was because of the ethanol production and, in 2008, 4.5 percent.

Mr. FABER. Right. Let me take the last question first, and I will let USDA explain the discrepancy in numbers that have been used.

But the CEA, Council of Economic Advisors, did an initial estimate that attributed 2 to 3 percent of the increase in food price inflation to biofuels. And Secretary Schafer said as much when he went to the Rome summit on our global food crisis.

And then, subsequently, the current chief economist at USDA, Joe Glauber, put out a significantly higher number. He estimated that close to 10 percent of the increase in food price inflation could be attributed to biofuels production.

And separately and apart from that, the recently retired chief economist of the USDA, Keith Collins, was hired by a third party. And he estimated that food prices would be rising 23 to 35 percent faster than historically because of our biofuels production.

So I will leave it to you to sort out who is right and who is wrong. But, clearly, I think anybody who looks especially at the chart on page 3 of my testimony, I think it is fairly obvious that diverting 33 or more percent of our corn crop this year and 40 percent or more in the next few years is going to have a significant effect on the price of corn and, ultimately, the price of things made from corn, especially meat products—milk, meat and eggs.

The sugar issue, the diversion of sugar from—in the sugar-to-ethanol provisions of the farm bill will have virtually no impact on prices, on the price of fuel. I think much more promising opportunities are importing Brazilian ethanol, which can be landed in the Port of Oakland, for example, at about $2 a gallon right now, if we could eliminate the tariff that is in place.

Mr. KILDEE. Well, with the production from sugar, which can start now under the new farm bill—that is a new provision in this year's farm bill—that would put less pressure on corn, would it not?

Mr. FABER. What ethanol refiners tell us and have told you is that they don't expect to use much of that sugar in the production

of corn ethanol or conventional ethanol in the short term, but they might use more of it in the coming years.

Mr. KILDEE. And Brazil has been doing this for years, has it not, using sugar?

Mr. FABER. Correct.

Mr. KILDEE. Mr. Leibtag, did you want to comment on that in the new farm bill?

Mr. LEIBTAG. Well, I agree with the marginal effect at this point, in terms of the use of sugar. I think, as I mentioned earlier, you know, down the road there need to be more solutions. Corn from ethanol is not the only one. But, you know, I think everything will help. We just need a number of factors to deal with the energy problem.

Mr. FABER. The other thing that is worth noting is that, while a corn ethanol has a net energy benefit of about 1.3 to 1, sugar ethanol has a net energy benefit of 8 to 1 and poses significantly fewer environmental challenges than corn ethanol or biodiesel. So it helps address some of those challenges as well.

Mr. KILDEE. So that provision of the farm bill could be helpful both for our energy problem and our food problem.

Mr. FABER. Well, it will certainly increase the price of sugar and, ultimately, the price of food.

I don't expect it will do much to reduce the price of fuel or the demand for corn ethanol, and here is why: Because of the way the energy bill was structured, gasoline refiners are required to blend a certain amount of corn ethanol into our gasoline supply every year. And that amount is going to increase in the next few years to 15 billion gallons. We will make about 9 billion to 10 billion gallons in 2008.

Mr. KILDEE. Is it corn ethanol or just ethanol?

Mr. FABER. It is corn ethanol.

Mr. KILDEE. Corn ethanol.

Mr. FABER. There is a separate mandate for advanced biofuels like sugar and sorghum.

Mr. KILDEE. Well, Congress should probably address that in Energy Committee, in light of the fact that the agriculture bill now calls for production of ethanol from sugar.

Thank you very much.

Thank you, Mr. Chairman.

Chairman MILLER. Mr. Castle?

Mr. CASTLE. Thank you, Mr. Chairman.

Dr. Wilson, let me ask you a question that bothers me. Maybe I should know the answer to this, but I don't think I do. I am from Delaware. And when I go to our schools, and I am thinking particularly of high schools—I have got a couple of mine where I saw this—I see the lunches, school lunches in this case, which are being served.

And I don't doubt for a minute that they have nutritious things being served, but a lot of the kids are eating pizza and other things. We have a problem with weight with our children today and nutrition, obviously.

How does this happen? Is that a local decision which is made in terms of what they are going to offer at a particular site in terms of a lunch or a breakfast?

And if we are adopting nutrition programs—I have been involved with this legislation before—how does it sometimes get into something perhaps less nutritious by the time it is actually served?

If you could help me straighten out my puzzle.

Ms. WILSON. Well, as far as the reimbursable meal is concerned, we all have the same reimbursable meal pattern that we need to follow. But what those components are we can choose, whether it is pizza or a hamburger or chicken casserole, whatever that is for the main entree.

I think some of the misinformation, though, that is out there is that, number one, we are numbers-based. We need our customer to come through the line to keep our programs alive. And so we try to meet the needs of that customer. And so what has happened, even at the food manufacturers, is that we have a number of products that we serve in schools that truly are a healthy product.

And you mentioned pizza, for instance. Many times, that is a whole grain crust, maybe even a whole wheat crust. It might be low-fat pepperoni, low-fat cheese. So there are products out there that we have an idea in our mind that that is not such a healthy product but, in essence, it really is, when we look at the different ways we purchase in schools and the products we are getting through the school system.

The other thing we look at is that, if that child likes to eat a piece of pizza, number one, we are portion-controlled. So that piece of pizza is not half a pizza. It is a single piece of pizza. It also comes with milk, vegetables and fruit. And so there is a whole, complete meal there.

And really what we are trying to do is teach children to eat——

Mr. CASTLE. Pardon me. Do you think they take and eat the milk, vegetables and fruit?

Ms. WILSON. You know, we really try to encourage them. Do they eat it? Not always. But, for instance, in our district where at our high school we serve pizza, but we have a full fresh fruit and vegetable bar that is included with the meal. So that child can go through, get a piece of pizza, and then they can go through and take all different choices of fruits, vegetables, and then of course their milk. So, you know, what we try to do is definitely encourage the children to do those things.

One of the things, though, that, now that you brought it up, one of the things that we know that is still lacking is nutrition education. I have talked to students all across this country that say, "Look, you are putting all these standards on us, but you are not telling us why. You are not explaining to us how to put that meal together. You are not giving us the opportunity to be educated in nutrition."

And when you look at it, even though wellness policies were required to look at nutrition education, there was no type of—there is nothing strong there that says to schools, "You must have nutrition education K through 12," or, "You must have something that is science-based that teaches kids about nutrition," not whatever anybody thinks about the latest diet fad, but real nutrition education. It is definitely lacking in the school system.

Mr. CASTLE. Well, sometimes I think it is just a matter of will. I think, Mr. Chairman, we ought to have a committee hearing in

which we set up a lunch here and bring in about 10 of these high school kids and let them choose what they are going to eat. I think we might be surprised at the lack of nutrition that we see there, to a degree there, in terms of choices.

I don't know if we can address that. I mean, there are local decisions on that. But it is concerning.

At the risk, Mr. Faber, perhaps of a local advertisement here, I would like to ask you questions about the cellulosic research which goes on. The reason I say "local" is because I am from Delaware and the DuPont company is doing a lot of this.

Looking at other growth areas, if you will, they are looking at the husks of corn and the stover of corn, the cornstalks, as well as switchgrass and other things that are being looked at.

Do you have any sense of the state of that research in the country today? I mean, I don't know how much all of this is influencing the cost of corn and soybeans, but it clearly is. The bottom line is that there may be easier and less expensive ways of doing this.

Mr. FABER. Absolutely. Clearly, the most promising solution to the impact of our food-to-fuel policies on food prices is getting these second-generation fuels, cellulosic biofuels and advanced biofuels, to commercial scale as quickly as possible.

And it is important to remember that it took corn ethanol 30 years and an extraordinary level of government support to get to its first 2 billion gallons. And when I talk to my colleagues who are in the business of developing these second-generation fuels, they expect to produce their first 2 billion gallons sometime between now and 2014.

So there is extraordinary promise there. I think that it is sort of a race, in some sense, to identify the most cost-effective, most easily commercialized fuel that can take advantage of existing infrastructure. One of the challenges with corn ethanol, as you know, is you have to rail it or put it in a barn.

So there are great opportunities there. There are things that Congress can do to really accelerate the development of those second-generation fuels, in particular: looking at ways to accelerate the mandates that are in place for cellulosic; changing the tax credits that go to the refiners of gasoline to make it more attractive for oil and gas refiners to blend cellulosic and advanced biofuels into their fuel supplies; and, again, reducing the tariff.

You know, the real opportunities to produce a lot of these cellulosic biofuels are not necessarily in Delaware or in California. They are in equatorial regions of the globe where you can get multiple harvests in a single year and then ship it to take advantage of our market and E.U. market and so on.

So we really need to be looking globally as we think about how to get these second-generation fuels online to take pressure off the conventional biofuels that are driving up food prices.

Chairman MILLER. Thank you.

Mrs. McCarthy?

Mrs. MCCARTHY. Thank you, Mr. Chairman.

Mr. Harnett, in your testimony you mentioned that Nassau County—and I am sure this is happening in counties all over the country—that they are subsidizing your particular program, summer program, by 21 percent?

What concerns me is—we have a very diverse community in Nassau County. We have some of the wealthiest people probably in the country, and then we have some of, unfortunately, the poorest people. And I knew our food banks. Every church had a food bank. We have our own food banks. And yet those shelves now are being empty.

So the children that you are getting—and I am sure this probably works with some of the other areas around the country. What concerns me is that the food banks aren't getting out food to the families as they pick them up for the weekend or the evening meals. It comes back to whether our schools or whether programs like yours are the only areas where the children are actually getting fed.

And, Dr. Wilson, I guess one of the others things, too, that I am concerned about, in my underserved schools they don't have too many kids paying for their lunches. And unfortunately they probably serve the worst lunches. Now I am going into all my regular schools, and less and less of them are going to be buying lunches, so they are not going to be able to subsidize the children that need the free lunches.

So with that, the problems that we are facing, to me, seems that it is something that this committee really needs to work on and certainly Congress needs to work on. Because if we don't have healthy children, we are not going to have a healthy future.

When the pediatricians start talking about putting children on cholesterol medication at age 8, that is a sign of the times. And we are seeing more and more children with diabetes in our society. So, again, it comes down to the basics. And that is programs like yours.

What are you going to do if Nassau County or any other county that is supplying or helping our programs to feed our children—they are going to go through tough times too. It is down the road.

Mr. HARNETT. Well, there is no question that everyone is going to be challenged in a similar way. I mean, we all participate. Thirty-nine different programs in the county participate in the county program, so that we can get whatever economies of scale we can and the best possible prices. There is no question, as other speakers have mentioned, that nutrition is the key. And it is nutritional education.

Kids are kids. They like food that tastes good. And they are surrounded by food that tastes good that is not good for them. And, on the other hand, we know that if the children are given good-quality food and they learn the benefits, they will do better. There is no question about that. But it is a major effort.

We also have to remember that the families that are trying to raise these children are struggling. Both parents are working. They are away from home large parts of the day. They are counting on these programs to give the children their basic nutritional meal of the day. Families are working longer and longer hours.

So, without these programs, the children's nutrition will suffer. We will all struggle to try and come up with ways to try not to diminish the nutritional quality of the meals but to add more money there at the price of the other kinds of things we do with these programs.

The point of these programs—the nutritional part of them is only one component of the program. We are trying to get children involved in more creative learning activities so they are not on their own after school, they are not involved with other kinds of activities that are high-risk behaviors and ultimately will be much more detrimental.

We all know, the bigger the investment we put in the children at their earliest years, the better the payback.

Mrs. MCCARTHY. And I agree with you on that, because I think that the coalition of our underserved schools, you know, where we certainly want to bring the best education to them, are usually the children that do not have the best nutrition. And as you said earlier in your testimony, if you don't have the fuel to do the energy, you are not going to be able to do well in school.

So, we have a long way to go in this country. Thank you.

Mr. HARNETT. I couldn't agree more.

Chairman MILLER. Thank you.

Mr. Keller?

Mr. KELLER. Thank you, Mr. Chairman.

I want to thank all our witnesses for being here.

I listened carefully to all your testimony and read your written remarks, and it seems like there is a consensus, from most of your testimony anyway. And it seems like the bottom line is that high gas prices, along with ethanol mandates and tariffs, are killing us, in terms of higher food costs.

The solutions are pretty simple, although they are not politically easy. And the simple solutions, in the interest of straight talk, are these: We have got to drill for oil domestically. We have to axe the tariffs on biofuels. And we have to quit wasting $40 billion a year in agricultural subsidies and price supports.

That is the truth. And it takes a lot of political will to do that. And I certainly would support everything I just said. But that is the truth.

I want to focus my remarks a little bit on childhood obesity, and it certainly is a serious problem. Two out of three adults in this country are overweight; one out of three children are overweight. Childhood obesity rates have tripled since 1980.

And we know the solutions, according to the experts who have testified before this committee—pretty simple and straightforward. Every child should have a healthy breakfast. Every child should exercise, one day, outside activity. Every child should have at least five servings of fruits and vegetables, hopefully nine. Those are the three common-sense things. And that tailors with the USDA guidelines.

One of the things that I have heard over and over today is that the high cost of fruit and vegetables is a concern. And I stipulate that to a point. I mean, it is obviously a lot more expensive for poor folks to buy apples and bananas and lettuce and fresh green beans than it is to buy a package of macaroni and cheese or rice. And so we see obesity rates a lot higher among poor folks.

But what I am interested in—and I will begin with Ms. James—is whether some of the local school districts are making the same type of choices that I do when faced with high food prices.

I am someone who eats 10 servings of fruits and vegetables every day. I am sold on that concept. But my favorite vegetable, for example, is green beans. And back when times were great, I would go to my local public grocery store and go to the produce section and buy a package of fresh green beans, which are $2.99, and I would put them in the microwave.

Now I go to the same store and I buy a can of green beans, which are 99 cents and have the same volume and, according to my nutritionist, roughly the same nutritional value. And so, instead of paying $3, I pay $1. I would prefer to have the fresh; they are a little crunchier, a little better. But nutritionally, not a substantive difference.

Do school districts, Ms. James, make the same type of choices and use, say, canned green beans versus fresh green beans when the prices become exorbitant?

Ms. JAMES. Well, first of all, I am not a school district, so I am going to defer that question to some of the school people. But I can speak for the child-care community. And one of the things that I know is that, clearly, for child-care centers, they are buying canned vegetables because they are cheaper.

But what I also know is that they are typically buying in places like Costco and Wal-Mart, where they can buy "number 10" cans, whatever—I think the school district could tell me better what that is. But the varieties that they are able to purchase, in terms of what the stores offer, is significantly less and lower quality than that of what they could purchase if they were buying fresh fruits and vegetables.

Mr. KELLER. Thank you.

I will switch to, okay, Ms. Wilson. When times are hard, would your district be more likely to buy the cans of green beans versus the fresh green beans?

Ms. WILSON. At this point, no. And I have talked to a number of different district directors around this country, and what we are doing is really assessing our programs. We are looking at paper products. We are looking at the way we do dishes. We are looking at everything possible before we get to the food issue. That may mean cutting labor, though, as well, and cutting our labor force.

Mr. KELLER. Well, the obvious question is, why not?

And I will certainly point you to the most famous nutritionist in the country, Dr. Barbara Rolls at Penn State. They say frozen vegetables and canned vegetables have equal nutritional value to the fresh.

And if you are not using that, which would save you 67 percent on your food costs, why the hell not?

Ms. WILSON. Well, we use a combination of things. I mean, we have fresh and canned out every day, because the children like choices. There are some children that like canned fruits and vegetables; that is just what they like to consume.

Mr. KELLER. Right.

Ms. WILSON. And you are absolutely right. The nutritional value is, you know, very, very close. With canned vegetables, you have a sodium issue that you have to take a look at in school districts. But otherwise, what we see are school districts using a combination of both.

Mr. KELLER. Okay.

Ms. WILSON. But to eliminate fresh for no reason—one of the things we are trying to do is teach kids where food comes from. So——

Mr. KELLER. Well, you are right. And some of the canned vegetables are low-sodium, as well.

Ms. WILSON. Right.

Mr. KELLER. I can tell you from personal experience, having had the can with no sodium, it is horrible. I don't know why. [Laughter.]

But I would just rather have the salt for myself.

But my time has expired. And I will yield back, Mr. Chairman.

Chairman MILLER. Thank you.

Mr. Scott?

Mr. SCOTT. Thank you, Mr. Chairman.

Dr. Wilson, you represent organizations all over the country. Are they experiencing the same increases in total costs for food?

Ms. WILSON. Yes, sir, they are. If you go on to our school nutrition Web site, almost daily we have 10, 20 different districts reporting in that the same issue is impacting everybody across the country.

Mr. SCOTT. And are the total costs the same, or is there a variation of costs around the country for the cost of a nutritious meal?

Ms. WILSON. Well, I think they have done an average, but of course it is somewhat different depending upon the region. You know, even as far as what the season is, in northern Wisconsin or northern Minnesota, it is going to cost you a lot more than southern California to obtain fresh produce. But the average is $2.88 to $3 nationwide.

Mr. SCOTT. Are some much above average and some much below average?

Ms. WILSON. I don't know of any that are really below average. I mean, I think—grossly below. I mean, you know, a lot of them are grossly below average. I mean, I think people are pretty clustered into that. You might have a fluctuation of about 40 cents back and forth.

Mr. SCOTT. Ms. Houston, the free lunch is still free, is that right?

Ms. HOUSTON. That is correct.

Mr. SCOTT. And the reduced cost, the increase in cost in the food does not affect what those on reduced lunch will pay?

Ms. HOUSTON. By law, schools are not allowed to charge more than 40 cents per meal to a family that qualifies for a reduced-price meal.

Mr. SCOTT. And if the costs go up, what does the full-pay student pay?

Ms. HOUSTON. That will vary depending on the school district. The school district is in a position and has the discretion to set the price that they charge for children who do not qualify for a free or reduced-price meal.

Mr. SCOTT. Now——

Ms. HOUSTON. Our most recent data that we have available shows that, for the 2005-2006 school year, on average, school districts charged about $1.60 for a paid meal.

Mr. SCOTT. Do most of them pay the actual full cost, or do they just pay a reasonable amount?

Ms. HOUSTON. USDA subsidizes the cost of all meals, regardless of whether they are free, reduced or paid.

Mr. SCOTT. And has the higher cost resulted in many students electing not to get lunch?

Ms. HOUSTON. Well, in fact, our data suggests that the reimbursement that USDA provides for the paid meals is actually helping to offset the charges that schools are passing along to families of children who are not eligible for the free and reduced-price meals.

Mr. SCOTT. So you are not experiencing fewer children getting lunch as a result of the higher prices?

Ms. HOUSTON. Our projected estimate for the 2009 school year is that participation rates will increase about 1.5 percent.

Mr. SCOTT. And that is the increase in student population?

Ms. HOUSTON. That would account for increase in student population, as well as what we anticipate the increased use of the program would be.

Mr. SCOTT. Now, is there any evidence that the LEAs are affecting their menus as a result of the higher prices?

Ms. HOUSTON. That will vary around the country, depending on the LEA of which you speak.

We have certainly tried to provide technical assistance to help school districts identify ways in which they can economize to manage their very tight resources. A tip sheet that we recently put out helped schools to think about ways that they can improve their meal service without compromising nutritional quality.

So there certainly are some strategies that can be employed, both on the ways in which they procure food as well as looking at ways in which they can increase program participation, and also examining opportunities to increase the revenue streams coming into the school food service.

Mr. SCOTT. Now, have the summer programs, the Head Start and the daycares, have they been affected by the higher prices? And how are they affected?

Ms. HOUSTON. I think it is fair to say that, generally speaking, across the board, families at home as well as in institutional settings—schools and child care and the like—everyone is working to try to identify ways in which they can make the most effective use of the resources that they have available, recognizing that food costs have increased.

Mr. SCOTT. And students benefit from food banks. How have commodities going to food banks been affected? Have you increased or decreased the number of commodities going to food banks?

Ms. HOUSTON. We have a very strong partnership with our food banks. The TEFAP program provides some support to food bank operations. We have an ongoing commitment through appropriations to provide a level of funding that has recently been increased in the farm bill up to $190 million a year.

We also, when we have available, provided what we call bonus commodities to food banks. Because the agricultural markets have been strong, we have had less bonus commodities available to donate. But when we do have them, we do make them available.

Mr. SCOTT. Am I hearing that the local food banks are getting less from the federal government than they have been getting in the past?

Ms. HOUSTON. That is correct. In the past year, we have had a decreasing amount of commodities available.

We are working to employ some strategies to try to offset that reduction in commodity donations, however. One of the strategies we have put in place is the program we are calling "Stocks for Food." The federal government is taking what we have had warehouses of, raw commodities, and bartering them in the marketplace for value-added products that we are then donating to food banks. And that is helping to ease some of the challenges that food banks have had.

It is also important to recognize that, in addition to our child nutrition programs and the important work that the food banks have, we also strongly encourage and working very hard to make families aware that they may qualify for the Food Stamp Program.

The Food Stamp Program provides ongoing benefits to about 27 million individuals every month. And depending on your income requirements, we provide a cash-value benefit that families can then use to purchase food in the grocery store.

Mr. SCOTT. Thank you.

Chairman MILLER. Thank you.

Ms. Woolsey?

Ms. WOOLSEY. Thank you, Mr. Chairman.

First of all, I apologize for not being here for the entire hearing. We have a hearing on Iran going on across the hall. So it is a push-me, pull-you day. But, you know, I felt sure I agreed with the need for more food for all of our children. So I didn't feel like I needed to come here and be convinced of that.

Mr. Harnett, in my district, and all over the country I am sure it is true, because of rising food costs and the expanded demand for food for populations in our communities, the Community Action Partnership of Sonoma County, which is located in Santa Rosa in my district, had more children show up on the first day of the summer meals program than they had meals to feed them. Actually, 40 children were unable to get meals that day. So they watched others eat while they didn't have anything.

So my question to you—Ms. Houston responded, but I am going to ask you to respond about summer food programs that are already struggling, with decline in participation and high administrative costs. How have the rising food prices impacted your participation in summer programs this year?

Mr. HARNETT. Well, I think I am happy to say, at least as of yesterday, every child that showed up in our county did receive a meal and is participating in a program. But I realize that not every county is in that position. So there are always going to be these tradeoffs that people are going to make.

Programs that are smaller, faith-based organizations, they are going to drop out of these programs. And the problem is the children will not only get the meal, but they won't get the activities that these programs provide, so it is a double whammy. The children then are unsupervised. They don't have the activities that they should.

I agree with the congressman's point that the children need to be more physical. We are competing with PlayStation and other games that they will play endlessly. They have got to be out there exercising. And that is what these programs do. They are structured, they are creative, they challenge the children both in mind and body. And that is what we need.

So it is a terrible thing if we are not pushing these children and involving the families to the extent we can so that they do learn better activities and better nutritional values. It is not just the food, as important as that is.

Ms. WOOLSEY. Well, okay, that is right. It is not just the food and it is not just having food. It is nutrition that goes along with that.

So, Ms. Houston, we have to make sure that every child is given access to food that meets sound nutritional standards. I was sitting here thinking, having just come across the hall from International Affairs, we have had hearings where we have heard that children in Africa eat dirt just to have something in their stomachs. I mean, we aren't doing that in the United States of America, but it does us no good to fill them up with food that is not nutritious, and we know that, even though some of it could be less expensive.

So I have introduced, along with Senator Harkin, H.R. 1363, the Child Nutrition Promotion and School Lunch Protection Act, which seeks to ensure that all foods sold in schools during the entire school year, including summers, is based upon current nutritional science.

And so I am concerned that the rising food prices may reduce, actually, or loosen nutritional standards. What is your experience in that regard?

Ms. HOUSTON. Let me just start by saying that we strongly support efforts to try to increase participation in the summer feeding program. We serve, on average, about 31 million school lunches a day but only about 3 million meals during the summer months. So we believe that there is a strong need to try to identify ways in which we can not only increase child participation in the programs but also increase the number of sponsors that are willing to operate sites where children can get access to healthful meals during the summer.

We also have some interesting research that suggests that childhood obesity rates can actually go up during the summer because children don't have the same kind of structure they have during the school year.

In terms of the nutritional quality, the meal pattern requirements that are required for the school meals during the school year also pertain to the meals that are served in other non-school-based programs. So we work very hard to try to encourage the summer programs, for example, to serve fruits and vegetables, whole grains, et cetera.

It is a challenge and cost to affect their ability to do that. But I think, as we have been talking about cost, food is just one aspect of the cost of operating these important programs. And there are strategies that we can put in place to try to help maximize the use of the resources available and see how we can make the most effective use of what is available to serve the most healthful meals we can for children.

Ms. WOOLSEY. Thank you.

Thank you, Mr. Chairman.

Chairman MILLER. Thank you.

Mrs. Davis?

Mrs. DAVIS. Thank you, Mr. Chairman.

And I am sorry that I missed your testimony, but perhaps if this kind of question was asked you can let me know, but I am really looking a little bit more specifically.

San Diego is my home district, and it is a very high-cost area, as you probably know. And so the recent rise in food prices has really hit our community hard. I know that Congresswoman Woolsey mentioned the lunch programs during the summer, and they have seen an overflow crowd at those centers. And so we are certainly experiencing those same issues.

Does the calculation for the federal reimbursement rate for the school nutrition program take into consideration cost-of-living differences between different parts of the country? And, if not, do you think it should? Would you support factoring in those cost-of-living differences?

Ms. HOUSTON. Our current reimbursement rates provide an additional subsidy for Hawaii and Alaska, but within the contiguous United States there are not differences in the reimbursements rates.

We have certainly looked at this issue in the past, and we will continue to look at it, but there are so many factors that affect the cost of different types of foods in different geographic locations that it would be quite a challenge to identify how best we would go about making adjustments to those reimbursement rates.

Mrs. DAVIS. You might look at the services, because they try to do that for families. And that might be a way of assessing, to the extent to which that is an issue.

I know that in the area, cost of producing a meal now is up 20 percent, from $2.47 to $2.97. And an increase in the cost to produce a meal will increase program costs by an additional $35,000 per day, or $6.3 million over the 180 days in the next school year.

So those are sizable numbers, and people are looking for some relief in that area by region. And so I would hope that they might take a look at this. I think there is a way to assess that. And I know it is always a push-pull, in terms of who gets included and who doesn't. But, in fact, if we are treating children differently by virtue of the fact that they are not able to produce those meals as well in some communities, I think that is a factor to look at.

Anybody else want to comment on whether you think that is an exercise that is worth doing, that we should look at, at least to know those differences?

Ms. WILSON. I would just like to make a comment that especially in labor costs, it is very different around the country as to what the cost of labor is in our school systems. And so that is another thing that would be very beneficial to be factored into that.

Mrs. DAVIS. Yes.

Ms. HOUSTON. I think it is also worth mentioning that the food costs also are impacted by the types of strategies and effective use of procurement practices from one school district to the next, and also the amount of participation.

So certainly the ability, such as what is happening in Mr. Matustik's district, he is able to receive a lower price for foods because of the sophisticated way in which he has been able to set up his volume purchasing.

So there are some practical ways in which we can provide training and technical assistance to school food service operators that might help them lower the prices even in areas where geographically they may be paying more for certain types of foods.

Mrs. DAVIS. Are you all doing that now?

Ms. HOUSTON. We are. In fact, this summer we are about to release a series of Web-based modules for school food service that will help them in improving their ability to make procurement decisions. We have a number of modules. One of the modules will discuss the co-op system and other ways in which we can make those practices——

Mrs. DAVIS. I would agree, that kind of information-sharing is important. But, on the other hand, there are some other issues that perhaps the greatest efficiencies in the world will not answer if we don't get a handle on that.

Just really quickly, have you recommended linking the inflation adjustment in the school nutrition program to the PPI instead of the CPI, Producer Price Index instead of the CPI? Is that an issue that you all have looked at? And what merit do you think that would have?

Ms. HOUSTON. I am going to turn this over to my colleague, Dr. Leibtag, in a second. But we are required by law to use the Consumer Price Index food-away-from-home series. So that is not a discretion that the department has at this time, in terms of making a change to what index we are using.

Dr. Leibtag, you may want to comment on why that particular index has been used in the past and whether or not it is the appropriate index.

Mr. LEIBTAG. Given that we are trying to cover the final cost of the lunch on the tray, that is why the CPI is the most appropriate. It is a measure of retail prices for food items.

Producer Price Index is looking at earlier stages of production. It measures what I would call wholesale prices, which are definitely relevant to the food service sector but do not approximate the changes in the final retail cost.

Just as an example, one of the big distinctions is between a wholesale commodity-level price and a final retail price, and that includes labor and services. And that is kind of the biggest distinction between wholesale and retail.

Mrs. DAVIS. All right. Thank you.

Thank you, Mr. Chairman. My time is up.

Chairman MILLER. Thank you.

Mr. Hinojosa?

Mr. HINOJOSA. I want to thank the panelists for coming to brief us and explain to us the situation.

I am going to start my questions with Kate Houston.

And I have seen here, in the last few months, where there was a big recall of ground meat. And it was in the millions and millions of pounds. And they had been sent out to further processing companies, where they would take a load of 40,000 pounds of ground beef

and make it into charbroiled beef patties. And they had already been received. They were in storage ready to be further processed, and they had the recall, and so that put a stop on that.

And Houston Independent School District and Dallas and those schools were expecting to get the charbroiled patties but they couldn't receive them. And that added to their, I guess, frustration, that they didn't have meat coming in when it was scheduled.

And what do you do to reimburse those school districts? Because they had to get it at a much higher price from some distributor like SYSCO or some of those that are available to them? How do you reimburse that school district for the additional cost?

And the next question is, since gasoline has gone up, which adds to the transportation cost—I saw the IRS upped the allowance for using your automobile to do official work from 50 to 58.5 cents. I am sure that school districts get contracts that have a paragraph that says that, should distribution costs go up, they are allowed to increase the product cost before they deliver it.

What are we doing in the federal government to help those school districts?

Ms. HOUSTON. I will start with the Hallmark-Westland recall issue.

We have committed publicly that we will reimburse schools for all reasonable expenses related to the hold and recall of the beef. We are in the process of working with the state agencies to whom we provide the reimbursement. And, to date, we have provided about $12 million back. As soon as those bills come in from state agencies, we are turning them around and getting that money back out as quickly as possible so they can distribute it appropriately to schools.

We worked very hard after the recall to give schools the option of either getting them replacement product as quickly as possible or providing them a credit toward their commodity account that could then be used for the next coming school year, recognizing the timing of the school year in which the recall happened, and that some schools preferred to then re-menu at a later time.

On the gas prices, you know, I can't speak to the individual types of contractual arrangements that school districts have made for the purchase of food that they have used, their cash portion of their reimbursement.

However, I can say that we are providing technical assistance to both state agencies and schools to try to help them identify procurement practices that will make the most sense for maximizing the use of the reimbursement dollars that they have available and to get the lowest unit price for the product.

Ultimately, those are local decisions, in terms of what contracts are entered into, so long as they are made in accordance with government procurement practices.

Mr. HINOJOSA. My time is running out. Now that you have explained that part to protect the state and the school district, let's talk about the processor, the manufacturer that does processing for a fee.

They are having double problems. One is they receive the product, they have got expenses and the warehouses, and now they are

having to send it back. And then the other problem is that the gas and electricity costs have suddenly skyrocketed.

And I had this processor in Harlingen, Texas, say that the bill that they had on the gas that is used to fuel the charbroiled cooking had gone up substantially. I don't remember the exact figures, but it was way out of line. And they are saying that it is because the crude oil has gone up so much and then all these people who have gotten into the market to invest for their pensions and other factors that have gone into possibly explaining why crude oil has gone to $140.

What are we doing in Congress to help them out? And they are talking about possibly going out of business because they just cannot process what they said they were going to process back 4, 6 months ago when the bids were out. So these are small-, medium-sized businesses. Are we doing anything to help them out?

Ms. HOUSTON. Again, I think as we have heard from a number of the witnesses today, there are a variety of factors, including gas prices, that are contributing to the overall bottom line and challenges that both schools and the processors that serve the schools face.

We are working to identify ways in which we can try to help schools manage their underlying costs in a manner that can try to offset some of the challenges that they are having because of the increased cost of food.

In terms of the processors, again, those are arrangements that are, generally speaking, entered into between the school food service and the processor. And in some cases, those processors are working with our commodity entitlement program.

Mr. HINOJOSA. Would you agree with me that we have lost a lot of small-and medium-sized processors in the last 7 years?

Ms. HOUSTON. I don't have any data on that today. But we would be happy to look into it, and I can provide it to you.

Mr. HINOJOSA. Thank you, Mr. Chairman.

Chairman MILLER. Thank you.

If I might ask one question, Ms. James, you mentioned Antioch and Pittsburgh and Concord. Those three communities—maybe to a lesser extent Concord—appear to be pretty heavily impacted by mortgage foreclosures. Do you see this reflected in participation by students in the program? Does that play out in any way, when you are talking to your different constituents?

Ms. JAMES. It certainly, from the child-care perspective and family child care, certainly we have seen a number of family child-care businesses that lost their business because, in fact, their homes were foreclosed. So from the business perspective.

But then in terms of the children, certainly it has impacted, you know, their, sort of, quality of life, their stability in life and where they have been forced to move to.

So it is really, sort of, a different answer to your question, but clearly we have seen a dramatic change in, sort of, the income eligibility levels for individual families participating in the child-care food program.

Chairman MILLER. Thank you.

Thank you all very much for your participation this morning. Obviously, this isn't an issue that is going to be settled in this com-

mittee room this morning. And it also plays out in the reauthorization next year.

But I hope that we might be able to continue this conversation, because I think that most of the economic forecast suggests that it is going to be fairly rough sledding for the American economy. We had both the secretary of treasury and the chairman of the Fed yesterday suggest to us that this was going to go deep into next year.

And I think some of the recommendations you made here this morning for immediate consideration, some that you made for consideration in the future, we will start to pore over.

But we would like to keep our hand here, because obviously we want to do whatever we can to make sure that the children can participate and that they are participating in a quality program. But we appreciate all of your inputs here.

Let me just say, Mr. Matustik, you looked like you had something you wanted to say here as all these people were commenting about the cost of the program. I don't know if you just want to——

Mr. MATUSTIK. Yes, I did. I mentioned it in my presentation, my summary. I think it is not right if we don't charge pay kids the same, if we don't bring that fee on the same level of what the reimbursement rate is. I call it the reverse Robin Hood. We cannot feed the kids from better-to-do families on the backs of kids who really don't have any resources.

And that is why I always have a hard time with people coming and asking for more resources until in schools we bring it to at least a similar level. You know, there is no excuse if the district is charging $1.20 for lunch or a $1.60 when I am getting from the USDA, from the federal government, $2.54. I mean, who is going to cover the difference? It is the quality of food or the amount of food we serve.

So I think that is a very important fact we should look into.

Chairman MILLER. Well, thank you.

Thank you again.

And, with the adjournment of this hearing, this is the 100th hearing that this committee has had since I have had the honor to become chairman. I didn't realize we had had that many hearings, but we are working on it here.

And, without objection, all members will have 14 days to submit additional materials and questions for the hearing record.

And, without objection, this hearing is adjourned.

And, again, thank you to the witnesses for your time and your experience, and to the members for their participation.

The committee stands adjourned.

[Additional submissions from Mr. Miller follow:]

June 23, 2008

U.S. Environmental Protection Agency
Air and Radiation Docket
Docket ID No. EPA-HQ-OAR-2008-0380 Mail Code:6102T
1200 Pennsylvania Avenue, NW
Washington, D.C. 20460-2403

In light of dramatic increases in food and feed prices, severe weather, social unrest in more than 30 nations, and new questions about the environmental costs of fuels derived from food crops, we urge the EPA to revise the food-to-fuel mandates included in the Energy Independence and Security Act of 2007.[1]

Although there are many factors contributing to the sharp increase in US and global food prices – including increasing global food demand, export restrictions, adverse weather and higher energy prices – a significant new factor, and the *only* factor affecting food and feed prices that is *under the control of the Administration,* is the federal food-to-fuel mandate diverting food into fuel production. We urge the Administrator to freeze federal food-to-fuel mandates for 2008 and 2009 at the US production level for 2007.

The rapid expansion of corn ethanol and bio-diesel has increased demand for corn and vegetable oils, increased the price of products which use corn and vegetable oils as ingredients, and increased the price of other crops that compete with corn and soybeans for acres. Between 2006 and 2008, US corn ethanol production accounted for 75 percent of the growth in global demand for coarse grain and 50 percent of the growth in demand for all grains.[2]

Commodity prices are rising at dramatic rates. Since the 2005-2006 crop year, farm-level corn prices have increased more than 150 percent, and farm-level soybean prices have increased more than 100 percent. A surge in corn ethanol production has contributed to unprecedented increases in prices, which have contributed in turn to high feed and food prices.[3] The price of corn has increased from $2.06 in 2004-05[4] to $6 in April 2008[5] and will remain high for several

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[1] The Energy Independence and Security Act of 2007 increased the federal corn ethanol mandate from 5.4 billion gallons in 2008 to 9 billion gallons in 2008, 10.5 billion gallons in 2009, 12 billion gallons in 2010. In subsequent years, the mandate annually increases by 600 million gallons to 15 billion gallons in 2015. The Act also creates a 1 billion gallon bio-diesel mandate by 2012.

[2] Advanced Economic Solutions, Rising Commodity Prices and their Impact on US Food Inflation, June 2008.

[3] Food and Agricultural Policy Research Institute, *2008 U.S. Baseline Briefing Book* (March 2008) (hereinafter "FAPRI Report"), at 2, available at http://www.fapri.missouri.edu/outreach/publications/2008/FAPRI_MU_Report_03_08.pdf.

[4] Allen Baker and Edward Allen, *USDA Feed Outlook* (December 13, 2006), available at http://usda.mannlib.cornell.edu/usda/ers/FDS//2000s/2006/FDS-12-13-2006.pdf.

[5] Allen Baker, Edward Allen, and Heather Kmak, *USDA Feed Outlook* (March 13, 2008), available at http://usda.mannlib.cornell.edu/usda/current/FDS/FDS-03-13-2008.pdf. *See also* FAPRI Report, at 11 (Table – corn supply and utilization).

years.[6] Strong demand for corn has also driven up the price of other commodities, such as soybeans and wheat.[7] In combination, increased production of coarse grains and oilseeds in response to the higher demand for biofuel has displaced other crops, creating a ripple effect in crop and food prices.

Food prices are now rising at twice the overall rate of inflation. Because the price of basic commodities has dramatically increased, domestic food prices rose by 4.9 percent during 2007 – the largest increase in 17 years. Food prices for the first four months of 2008 have increased at an annualized rate of 6.1 percent, and studies predict that annual food price inflation will be 9 percent between 2008 and 2012 as the impact of rising commodity prices are slowly reflected in retail prices.[8] According to the American Farm Bureau Federation's Marketbasket Survey, the total cost of 16 basic grocery items increased by 8 percent in the first quarter of 2008.[9]

Rising food prices cause severe economic harm for low-income Americans. Current and expected food prices are contributing and will continue to contribute to a record number of Americans seeking food stamps and rising demand at food banks at a time when thousands of low-income Americans are losing their jobs and homes. In particular, more than 8 million participants in the WIC program are severely impacted by high levels of food inflation. What's more, the price of basic staples is rising much faster than the cost of food generally. Between March 2005 and March 2008, food-to-fuel production contributed to increases in the costs of basic staples like eggs (94.7 percent), ground beef (12.3 percent), and whole chicken (10.4 percent).[10] The price of these products is particularly sensitive to the rising cost of feed grains. In addition, the price for bread was 14.7 percent higher in March 2008 than it was one year earlier, and milk (which set an all-milk price record of $19.15 per cwt in 2007[11]) was 13.3 percent more expensive in March 2008 compared to its price one year earlier.[12]

Rising food prices cause severe economic harm globally, contributing to social unrest. For many of the 800 million people who are already affected by chronic hunger and spend as much as 70 percent of their income on food, higher commodity prices increase the risk of malnutrition and starvation. Rising commodity prices have pushed global food prices up 83 percent over the last three years[13] - and by 57 percent in the last year alone – pushing millions of people into poverty. In combination, rising prices and declining commodity stocks have forced global food aid programs to ration food, and have contributed to food riots and protests in more than 30

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[6] *USDA Agricultural Projections to 2017*, U.S. Department of Agriculture (February 2008) (hereinafter "USDA Projections"), at 35 (Table 7), available at http://www.ers.usda.gov/Publications/OCE081/OCE20081.pdf.
[7] CRS, High Agricultural Commodity Prices: What are the Issues?, May 6, 2008.
[8] Advanced Economic Solutions, Rising Commodity Prices and their Impact on US Food Inflation, June 2008.
[9] AFBF Marketbasket Survey, available at http://www.fb.org/index.php?fuseaction=newsroom.newsfocus&year=2008&file=m0327.html

[10] Consumer Price Index – Average Price Data (retrieved for most requested statistics), Bureau of Labor Statistics, available at http://www.bls.gov/data/home.htm.

[11] FAPRI Report, at 48.

[12] Consumer Price Index: March 2008, Bureau of Labor Statistics, available at http://www.bls.gov/news.release/pdf/cpi.pdf.
[13] Bob Davis and Douglas Belkin, Food Inflation, Riots Spark Worries for World Leaders," Wall Street Journal, April 14, 2008, A1.

countries. Rising food inflation in the developing world is not merely a food security issue, but is a national security issue. The World Bank warns that 33 nations are at risk of social unrest because of the rising price of food.[14]

Rising feed prices cause severe economic harm for livestock producers. Although some crop farmers have benefited from high corn and soybean prices, many more livestock producers are facing unprecedented losses. The higher costs of corn and soybean meal[15] have translated directly into higher feed costs for all livestock producers.[16] Feed costs climbed by over $15 billion between 2005 and 2008 due to higher prices for corn and other grains.[17] Moreover, feed costs will continue to remain well above historic levels through 2017 as food-to-fuel mandates are implemented.[18] In 2008-09, for example, food-to-fuel mandates are estimated to increase the cost of livestock production by as much as $17.7 billion.[19] As feed costs rise, meat and poultry production will decline and many livestock farmers will be forced out of business. Producers at greatest risk of failure are poultry, dairy, hog and beef producers who do not produce their own feed grains.[20]

Historically low commodity stocks pose severe economic consequences. Global stocks of several major commodities are at or near historic lows – particularly when measured as a share of total usage.[21] For example, global end-of-year stocks for coarse grains and wheat are projected to drop by mid-2008 to the lowest levels since 1977, while ending stocks of total grains will fall to the lowest levels since 1981. In particular, a rapid increase in the production of ethanol combined with a decline in corn plantings will likely result in the second lowest level of corn stocks relative to consumption in 49 years. Increasing the use of corn for ethanol by 33 percent in 2008 will contribute to a 40 percent reduction in the corn inventory.[22]

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[14] "The World Food Crisis," *New York Times*, Editorial, April 10, 2008.

[15] Elevated corn prices in response to increasing biofuels demand also contribute to the historically high prices of soybeans because soybean cropland must compete with corn for cropland. Indeed, the price of soybeans has risen even though stockpiles of soybean oil are also at near record levels. USDA reported that the price of soybeans per bushel was $6.43 in 2006/2007, but shot up to $9.00 in 2007/2008. USDA Projections, at 35 (Table 7). Prices of soybeans and soybean-derived products (*e.g.*, soybean meal and soybean oil) are projected to increase and remain well over 2006/2007 levels over the long-term due to continued increased demand for biofuels, with even greater price increases likely as a result of the strengthened biofuels mandates enacted by Congress in 2007. USDA Projection, at 23 and 41 (Table 13).

[16] FAPRI Report, at 3.

[17] FAPRI Report, at 60.

[18] FAPRI Report, at 60. *See also* USDA Projections, at 4, 49 and 60. In fact, USDA acknowledges that its own projections likely underestimate the anticipated increases in costs of animal feed because, although they account for the biofuels mandates created by the Energy Policy Act of 2005, they do not account for the strengthening of those mandates by Congress in December 2007, which has added to the unprecedented demand for corn. USDA Projections, at 23.

[19] Elam, Thomas, "Biofuels Support Policy Costs to the U.S. Economy," *FarmEcon LLC*, March 24, 2008.

[20] Elam Report, at 28. *See also* FAPRI Report, at 42 (suggesting that beef producers will experience financially difficult times in the next few years as they face high and rising input costs); *see also* FAPRI Report, at 50 (stating that higher feed costs have contributed to increases in the costs of producing milk).

[21] CRS, High Agricultural Prices: What are the Issues?, May 6, 2008.

[22] USDA-ERS, *Feed Outlook*, May 13, 2008.

For most commodities, annual prices tend to have a strong negative correlation with the ending stocks-to-use ratio.[23] Low stocks levels will contribute to even greater price volatility. As stock levels fall relative to use, the more sensitive the market price is to increases in demand. As corn prices rise due to reduced supplies and expanding ethanol use, the mandate forces refiners and blenders to bid up ethanol prices to ensure ethanol production does not slow down. The result of the mandate is that ethanol plants will not ration demand, as would normally occur in a typical, competitive market. Livestock producers and other users have no chance to compete for increasingly scarce supplies that must be used to meet mandated production levels.

Severe weather, combined with low stocks, poses the risk of dramatic increases in commodity and food prices. Severe weather combined with a significant reduction in corn planting could reduce corn production by 10 percent or more in 2008.[24] Several Midwestern states have made disaster declarations: Iowa, the nation's largest corn producing, recently declared 44 of Iowa's 99 counties disaster areas because of flooding and severe weather events;[25] Illinois, the nation's second largest corn producing state, recently declared 34 counties as disaster areas; and Indiana, the fifth largest corn producing state, declared 44 counties as disaster areas because of extreme flooding. Wisconsin is also a major corn producing state and has declared 29 counties as disaster areas due to severe storms and flooding. Wet conditions have delayed corn plantings, washed out planted acres, stunted emergence and growth rates, delayed the application of fertilizers, could delay additional application of fertilizers, and could prohibit the use of pesticides to stem the growth of weeds that limit plant access to soil nutrients and moisture.

Food prices will continue to rise as more and more corn and soybean oil are diverted to our fuel supplies. Unless the Administration acts to revise the food-to-fuel mandates for 2008 and 2009, commodity prices will continue to rise as more and more food is diverted to our fuel supplies. In 2008, we estimate that one-third or more of U.S. corn supplies will be diverted to produce fuel. In the coming years, 40 percent or more of the U.S. corn crop and as much as 30 percent of U.S. vegetable oils will be diverted from our food supplies to our fuel supplies. Because commodity prices will remain high, food prices are expected to increase by 9 percent between 2008 and 2012.[26]

Modifying food-to-fuel mandates will not increase gasoline prices. Freezing the mandate at the levels produced in 2007 – that is, reducing the mandate from 9 and 10.5 billion gallons to US production levels for 2007 – will not increase gasoline prices. In fact, failure to modify the mandate could result in higher gasoline prices under some scenarios. Overall, ethanol production in 2007 displaced less than 4 percent of the nation's gasoline supplies in 2007, when relative energy values are considered. So long as it remains profitable for ethanol to be produced from corn, the changes in the RFS proposed in these comments would have no impact on gasoline prices. Because oil prices are high, ethanol production remains profitable even when corn prices exceed $8 a bushel. However, increases in corn prices beyond $8 a bushel combined with mandates to blend ethanol could reduce refiner profitability and increase gasoline prices.

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[23] CRS, High Agricultural Prices: What are the Issues?, May 6, 2008.
[24] The World Agricultural Supply and Demand Estimates (WASDE), June10, 2008. Field Crop report on corn located at: http://www.fas.usda.gov/psdonline/psdReport.aspx
[25] Office of the Governor, http://www.governor.iowa.gov/
[26] Advanced Economic Solutions, The Impact of Rising Commodity Prices on Food Inflation, June 2008

The Administration has the power to modify food-to-fuel mandates. Congress established a mechanism to waive, in whole or in part, federal food-to-fuel mandates to alleviate severe economic or environmental harm. In consultation with the Department of Agriculture and the Department of Energy, the EPA Administrator may reduce the national quantity of renewable fuel mandated by statute based on "inadequate domestic supply" or because "implementation of the requirement ***would*** *[emphasis added]* severely harm the economy or environment of a State, a region, or the United States . . . ."[27]

The economic harm now caused by food-to-fuel mandates is "severe." The federal government, through implementation of federal disaster programs, has developed a statewide per capita impact indicator to assess whether a disaster is "severe" enough to warrant federal assistance.[28] The threshold amount from the most recent update indicates that a statewide minimum impact of $1.24 per capita is adequate impact to initiate federal government response to a disaster.[29] The harm caused by food-to-fuel mandates is significantly greater than this threshold.

Low yields and biofuels expansion are resulting in extreme economic harm. Reduced yields in 2008 caused by a wet spring and excessive flooding combined with surging ethanol production and low commodity stocks are already resulting in dramatic increases in crop prices and causing extreme economic harm. A March 2008 study concluded that "weather-reduced corn supplies confronted by a biofuels blending mandate would place severe pressures on the U.S. and global corn market – with the mandate in place, corn prices would increase to an eye-popping $8.62 per bushel."[30] In light of crop reports and the catastrophic economic harm that would be caused by corn prices greater than $8 per bushel, the Administration should act now to reduce the mandate to levels blended into supplies in 2007. If the Administration fails to act, the Administration may not be able to revise the mandate until January 2009. As the Administration noted in its Statement of Administration Policy, the "inadequate" safety valve would prohibit the Administrator from revising the mandate unless a second governor submits a petition.

Freezing food-to-fuel mandates would reduce commodity and food prices. Freezing the mandate would result in immediate reductions in the price of corn. A recent study by FAPRI estimated that implementation of the RFS increased corn prices by 19 percent.[31] A separate study by IFPRI concluded that a freeze of biofuel production at 2007 levels would reduce global corn prices.[32] Because refiners and blenders would not be forced to bid up ethanol prices to meet mandated use levels, ethanol prices would be lower than otherwise. Consequently, the most that

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[27] Clean Air Act § 211(o)(7)(A); 42 U.S.C. § 7545(o)(7)(A).
[28] Robert T. Stafford Disaster Relief and Emergency Assistance Act, P.L. 93-288, as amended, 42 U.S.C. §§ 5121-5206, and implementing regulations in 44 C.F.R. §§ 206.31-206.48.
[29] Department of Homeland Security: Federal Emergency Management Agency, *Notice of Adjustment of Statewide Per Capita Impact Indicator*, Federal Register, Vol. 72, No. 194, Tuesday, October 9, 2007, pg. 57341.

[30] CRS, High Agricultural Commodity Prices: What are the Issues, May 2008, citing The Outlook for Corn Prices in the 2008 Marketing Year, Iowa Ag Review, Spring 2008, Vol. 14, No. 2, pp. 4-5.
[31] FAPRI-MU, The Energy Independence and Security Act of 2007: Preliminary Evaluation of Selected Provisions, January 2008.
[32] Rosegrant, Biofuels and Grain Prices: Impacts and Policy Responses, May 5, 2008.

ethanol plants would be able to pay for a bushel of corn and remain profitable would decline. The function of prices in a market economy to ration demand would be restored. Livestock and poultry producers and other users would then be able to compete evenly with ethanol producers for scarce corn supplies. Reducing the mandate for 2008 and 2009 would not discourage the development of advanced and cellulosic biofuels. On the contrary, reducing food-to-fuel mandates would send a clear signal that policymakers are giving priority to the development of fuels that do not create the risk of severe economic consequences.

Modifying food-to-fuel mandates will permit proper consideration of environmental consequences. Diverting food crops to our fuel supplies has artificially increased the price of commodities, accelerating the conversion of pasture and forest lands to crop production at home and around the globe. Current and expected conversion of pasture and forest lands will release carbon into the atmosphere and reduce the availability of carbon "sinks" that help sequester carbon. In addition, increased production of row crops of uncultivated land has increased water pollution, compounded water shortages, and contributed to the loss of habitat for wildlife. In particular, increases in fertilizer use associated with expanded crop production has increased the amount of nitrogen and phosphorous being washed into rivers and bays, including the Chesapeake Bay, and will increase ground-level ozone in some regions. Increasing the use of distiller's grain – a byproduct of ethanol production that is fed to animals but has less nutritional value than feed - increases the amount of phosphorous reaching waterways.

The Administration should revisit food-to-fuel mandate schedules and subsidies and accelerate the development of sustainable bio-fuels. The Administration should revisit and reform food-to-fuel mandate schedules and subsidies to gradually reduce our reliance on food as an energy feedstock, and to accelerate the development of bio-fuels that do not pit our energy needs against the needs of the hungry or the environment. In particular, Congress should accelerate the development of cellulosic and advanced bio-fuels derived from fuel feedstocks that do not increase food or fiber prices, hold significantly greater promise to displace traditional sources of gasoline, and improve the environment.

The Administration should also take steps to address the needs of the hungry and to accelerate global agricultural development. At the same time that the number of global hungry is increasing, donations to the world's hungry have fallen to the lowest level in 35 years.[33] The Administration should take steps to expand domestic and international hunger assistance programs to help address the impact of food inflation at home and abroad, including emergency assistance that can be immediately used to make regional purchases of commodities. What's more, the Administration should also provide new funds to increase the productivity and sustainability of agricultural lands in the developing world. Between 2003 and 2007, global usage of coarse grains like corn grew by 3.4 percent. At the same time, annual growth in agricultural productivity is slowing. Between 1970 and 1990, production rose an average of 2.2 percent per year. Since 1990, the growth rate has declined to about 1.3 percent. Projections for US and world agriculture see the rate declining to 1.2 percent per year between 2009 and 2017.[34]

[33] Ryan, Missy, "Commodity Boom Eats into Aid for World's Hungry," *Reuters*, September 5, 2007.
[34] USDA, ERS, Global Agricultural Supply and Demand: Factors Contributing to The Recent Increase in Food Commodity Prices, May 2008.

Prepared Statement of Connie Tipton President and CEO, International Dairy Foods Association

CHAIRMAN MILLER AND RANKING MEMBER MCKEON: Thank you for holding this important hearing on the impact of current milk and food prices on the Child Nutrition Programs of the Department of Agriculture (USDA).

Our organization represents companies who process, manufacture and distribute 85% of the milk, cheese, and ice cream products consumed in the U.S. The role of milk and dairy products in USDA nutrition programs is critical to establishing healthy eating habits that comply with dietary guidelines. As the price of milk has increased to record levels over the past year, we are concerned about the impact this will have on school food districts and the children they serve.

Milk has played a prominent role in schools for over 65 years, when our government first started subsidizing milk in schools under the Special Milk Program (SMP). The SMP expanded nationally in 1955 and was available to all schools and

child care institutions until 1981. Today, milk is a required component of the National School Lunch program. The SMP is also still available in schools and institutions that do not participate in USDA meal programs.

A combination of fuel, feed, and increased global demand have driven milk prices to all time highs. Increased energy costs play a critical role—as milk must be transported to processing plants daily, where it is pasteurized, packaged, and transported to schools, stores, and outlets across the country.

An outdated government milk pricing system also contributes to the cost of milk. USDA recently increased the cost of beverage milk in 14 states throughout the Southeast and is currently considering another proposal to raise these prices nationally.

While many factors impact milk consumption—one of the major problems in schools is the proliferation of alternative, less healthy beverages. We are concerned that with current high milk prices, some school districts are expanding their offerings of these less nutritious, non-milk beverages.

Only one nutrition program at USDA has a reimbursement rate that has kept up with milk prices. Every year USDA adjusts the reimbursement rate under the Special Milk Program to reflect the Bureau of Labor Statistics' index of producer prices for fluid milk. This adjustment allows the SMP to achieve its goal of subsidizing the price of milk for students so they do not have to pay full cost for a la carte milk. Expanding the Special Milk Program reimbursement to all schools would greatly alleviate the pressure of increased milk prices and should be considered during the reauthorization of the Child Nutrition Act.

We have seen announcements from school districts across the country that many will raise the price of a la carte milk during the 2008/2009 school year. We are concerned that if milk prices continue to rise, this trend may continue and could negatively impact milk demand that is sold in schools. Currently, only about half of eligible school age children in the United States have access to milk under a USDA sponsored nutrition program. This is a challenge your Committee can address during reauthorization of the Child Nutrition Act.

Government health statistics indicate that almost 90% of girls don't meet their recommended intake of calcium, while about 70% of boys fall short of the calcium recommendation.[1] Milk and most dairy products provide nine essential nutrients, including three of the five nutrients identified as "nutrients of concern" for children in the 2005 Dietary Guidelines for Americans—calcium, magnesium and potassium.[2] Comparing cost to other foods, milk and dairy products such as yogurt and cheese are nutrient-dense, providing a wide variety of nutrients for the investment. The nutritional value of milk and dairy products in schools, not cost constraints, should be the primary consideration in USDA's nutrition programs.

We look forward to working with you and all members of the Committee as you consider improvements to USDA's Child Nutrition Programs. Please call on me, or members of the for any additional input we can provide to help you during this process.

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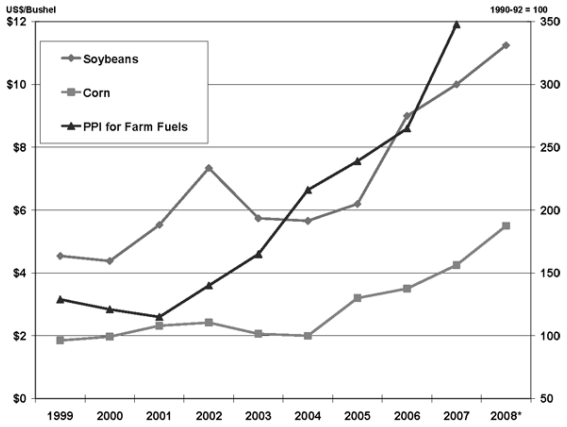
[1] Centers for Disease Control and Prevention (CDC). National Center for Health Statistics (NCHS). National Health and Nutrition Examination Survey Data. Hyattsville, MD: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, 1999-2002.

[2] Dietary Guidelines for Americans, 2005 (6th ed.). U.S. Department of Health and Human Services, U.S. Department of Agriculture. *www.healthierus.gov/dietaryguidelines.*

International Dairy Foods Association
Milk Industry Foundation
National Cheese Institute
International Ice Cream Association

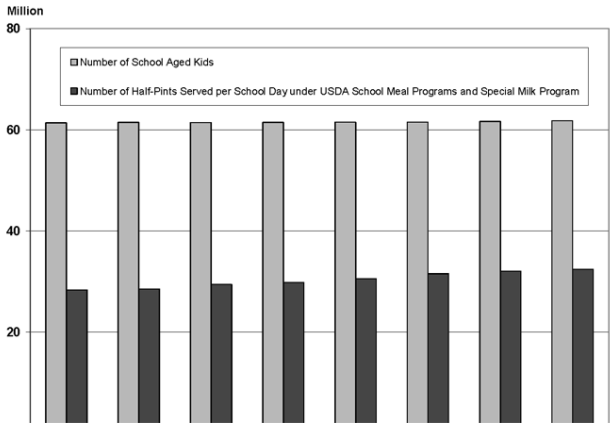
Farm costs of producing milk have increased substantially in recent years. USDA's Producer Price Index for Farm Fuels and the price of feed have both risen.



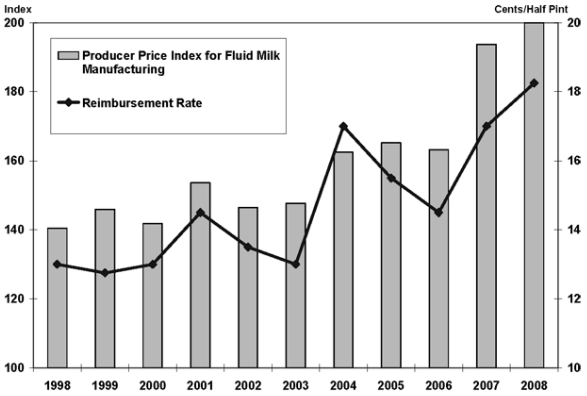
Source: USDA, NASS

International Dairy Foods Association
Milk Industry Foundation
National Cheese Institute
International Ice Cream Association

Only half of school aged kids are drinking a cup of milk per school day: Children 2-8 years should consume 2 cups per day of fat free or low fat milk or milk products. Children 9 years of age or older should consume 3 cups.



The reimbursement rate for USDA's Special Milk Program is driven by the Producer Price Index for fluid milk manufacturing.



Source: Bureau of Labor Statistics; Food Nutrition Service

Hon. GEORGE MILLER, *Chairman,*
House Education and Labor Committee, Rayburn Building, Washington, DC.

DEAR MR. CHAIRMAN: I would like to congratulate you for conducting the 100th hearing as Chair of the House Education and Labor Committee. This particular hearing on the school nutrition program comes at a critical time as there is critical information relative to food inflation in Puerto Rico which Governor Acevedo Vila felt it was important for you and the Committee to have for the record.

The Commonwealth administers the Puerto Rico public school system for over 600,000 students in 1,500 schools spread across the island. Our school lunch and breakfast strives to exceed the nutritional standards of the USDA and historically Puerto Rico has financed over 50 percent of the school lunch and breakfast program from our own resources. We have worked to increase reliance on local produce and we have been able to reduce staffing levels by over 1000 positions in an effort to hold down nutrition program costs.

In examining the inflationary trends of key elements of our school nutrition program, the history of the past 6 months suggests that our school lunch program is going to be facing significant challenges in the next school year. While we appreciate and understand the 4.3 percent increase in reimbursements by USDA, your hearing clearly highlighted the fact that challenges to schools in Puerto Rico and across the country are going to exceed that modest increase.

Below is a chart depicting food inflation in Puerto Rico between December 2007 and May 2008 which includes some basic food elements that are critical to the school nutrition program in Puerto Rico. You can see the dramatic uptick in food inflation.

Categories of Articles	CPI		Cumulative Percentage Change	Average Monthly Percent Change
	December 2007	May 2008		
Rice	108.139	133.602	23.55	4.71
Sandwich Bread, except whole wheat	108.942	126.452	16.07	3.21
Chicken Thighs (fresh and frozen)	118.089	129.233	9.44	1.89
Oats	108.890	119.746	9.97	1.99

Categories of Articles	CPI		Cumulative Percentage Change	Average Monthly Percent Change
	December 2007	May 2008		
Fresh Whole Milk	115.505	124.507	7.79	1.56
Canned pigeon peas, chick peas and other grains	101.858	114.123	12.04	2.41

Source: Bureau of Labor Statistics, Department of Labor and Human Resources, Commonwealth of Puerto Rico Base period: December 2006.

Each of these food stuffs: rice, bread, chicken, oats, fresh whole milk and canned peas and grains, is a fundamental element of diets in Puerto Rico and elements of our school nutrition program. As you see, the worldwide shortages of rice are having an impact in Puerto Rico. The increase in costs for the listed items from December 2007 to May 2008 ranging from 7.8 percent for fresh milk to 23.4 percent for rice are going to create challenges for our schools, particularly since rice is on the school menu an average of 18 days a month.

It is clear that if food inflation continues unabated the Commonwealth is going to confront serious challenges in regard to school nutrition. The Governor is certainly interested and supportive of Committee initiatives which will strengthen our program and give our children adequate nutritious school breakfasts and lunches particularly during these challenging economic times

Again, Mr. Chairman, I would like to extend my appreciation for your leadership on issues critical to the Commonwealth and your longstanding interest in Puerto Rico.

Sincerely,

FLAVIO CUMPIANO, *Executive Director,*
Federal Affairs Administration, Commonwealth of Puerto Rico.

Prepared Statement of Paule T. Pachter, A.C.S.W., L.M.S.W., Executive Director, Long Island Cares, Inc., the Harry Chapin Food Bank

Thank you for the opportunity to provide this written statement to the members of the House Education and Labor Committee as you gather in Washington, D.C. on Wednesday, July 9, 2008 to hear statements as part of your hearing on: "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs." I am extremely pleased to know that my colleague from Long Island, James Harnett, President and CEO of Family and Children's Association has been selected to serve on this Committee to gather testimony during this hearing.

As the Executive Director of Long Island's only food bank and a lead organization in addressing the issue of hunger on Long Island, I'm am keenly aware of the needs of children, who are in jeopardy of becoming undernourished and those that are among the more than 260,000 Long Islanders that are hungry and rely upon the services of our network of more than 560 community based organizations including food pantries, soup kitchens, day care centers, pre-school programs and other charitable organizations for food. Long Island Cares is a participating organization and receives support from The Emergency Food Assistance Program, as well as the Department of homeland Security Emergency Food and Shelter Program which in turn is delivered to community based programs serving more than 93,000 children.

The poor national economy, which according to most experts is clearly in a recession, has been impacting the quality of life for many families and children on Long Island. While our network of community based agencies have historically provided support to individuals and families living at or below the national poverty level, there are a growing number of families whose incomes exceed the poverty level by 20-50 thousand dollars who are turning to pantries and soup kitchens on Long Island for assistance in obtaining nutritious foods including meats, poultry and such staples as milk and eggs. Many Long Islanders are struggling as a result of the continued increase in the cost of fuel to heat their homes, gas to power their cars, the failures within the mortgage lending industry, which has resulted in more than 40,000 homes on Long Island being in foreclosure, and as result of the rising cost of food, which has increased by more than 17 percent nationwide.

Long Islanders are making difficult choices in reaction to the poor economy, and many of these families who may earn between $45 and $70,000 annually are turning to our network of food pantries, and other charitable organizations for assistance. Some can't afford meat or poultry, others can't afford fruits and vegetables, and we all can't afford to move forward without greater collaboration and support between food banks, anti-hunger organizations and our congressional leaders. Feeding hungry children on Long Island takes creativity, determination, resources and

the type of passion and commitment that was displayed 27 years ago by singer, songwriter and activist, Harry Chapin, when he founded the organization that now bears his name.

Long Island Cares and our network of food banks across New York State are committed to working together and to reaching out to create greater alliances with local food manufacturers, farmers, and food distributors to ensure that the needs of the more than 260,000 hungry children and families on Long Island are met with nutritional meals, access to entitlement programs, and passion. But we cannot accomplish this task alone, especially when it is estimated that 15% of the nation's population is relying on the services of hunger relief organizations such as Long Island Cares.

More nutritional food is greatly needed to address the needs of children on Long Island. Such critical food items as cereals, shelf-stabilized milk, fruits and vegetables are in short supply as donations from the public decline in response to our poor national economy. Long Island Cares hears from our network of community agencies each day that the numbers of individuals turning to food pantries and soup kitchens is increasing between 25-30% as a result of the poor economy. Our organization looks toward Congress to assist us as we move forward in meeting the nutritional needs of children whose families are relying on food pantries, day care centers and other important programs for food especially during those times that school is not in session and children are in need of our support and services even more.

[The statement of Mr. Altmire follows:]

Prepared Statement of Hon. Jason Altmire, a Representative in Congress From the State of Pennsylvania

Thank you, Chairman Miller, for holding this important hearing on the rising cost of food and its impact on federal nutrition programs.

As the Chairman explained in his opening remarks, rising food costs have made it increasingly difficult for schools, child care programs, and summer food service programs to continue to provide nutritional meals for our nation's children. The federal reimbursement rate for child nutrition programs has not kept up with inflation, and is well below the amount necessary to supplement the increase in the price of staples such as bread, milk, and cheese.

As I expect we will hear in the testimony of the witnesses today, schools have had to make difficult decisions to cope with these rising costs. Under the current system, federal nutrition programs in some cases cannot afford fresh fruits and vegetables. Likewise, some schools have been forced to increase the use of vending machines and a la carte sales in order to recoup costs even though food sold in vending machines had been shown to have less nutritional value than the school lunch itself. As a result, schools may feel pressure to provide less healthy options as well as resort to these easy sources of revenue at the cost of meeting the USDA's nutritional requirements.

In addition, these less healthy offerings are significantly worrisome for a larger reason. Today's struggling economy forces families to make difficult decisions to budget their money. Some parents may not be able to provide their children with adequate nutrition at home because they are struggling with the increased cost of gas and groceries. For some kids, the school lunch is their most nutritious meal of the day, and, in some cases, it is their only meal of the day.

I hope that the hearing today will not only raise our awareness and understanding of the pressing need to address the impact of rising food costs on federal nutrition programs, but uncover realistic and cost efficient solutions to keep these programs not only operational, but sufficient to meeting the nutritional needs of our nation's children.

Thank you again, Mr. Chairman, for holding this hearing. I yield back the balance of my time.

[Additional submission from Mrs. Biggert follows:]

Prepared Statement of Beth Hillson, the American Celiac Disease Alliance (ACDA)

Thank you Chairman Miller for calling this hearing on the impact of rising food prices on child and adult care food programs. The American Celiac Disease Alliance (ACDA), which represents patients, physicians, medical research centers, food man-

ufacturers and others, commends you for highlighting this issue as schools and parents begin to prepare for the 2008-2009 school year.

Under the National School Lunch Program students with special dietary needs are accommodated when that need is medically documented. Depending on the medical condition, special foods are substituted as per the medical prescription. A student with phenylketonuria or PKU will require low-protein items a child with celiac disease will need the substitutions to be gluten-free. For students with a medically prescribed diet, these accommodations are not a fad, or because they don't like the choices, it is because their lives depend on it.

The inherited autoimmune disorder celiac disease affects an estimated 1 in 133 Americans, and is now recognized as the world's most common genetic disorder. Individuals with the condition are unable to eat foods containing gluten, a protein found in wheat, rye, and barley. For them, gluten sets off a reaction which causes damage to the small intestine. It impedes the body's ability to absorb vital nutrients and will trigger symptoms which can severely affect a child's classroom performance. The only course of treatment is strict adherence to the gluten-free diet.

Even before food costs began to rise, schools balked at providing foods to meet the medically required diet of students with celiac disease. Why? The cost of a loaf of gluten-free bread is about $6.00; a box of 24 crackers $3.99; and a package of 12 chicken nuggets $5.50. As food costs have gone up, families are facing an even greater challenge to ensure their celiac children have access to a lunch at school, like every other child.

In addition, a growing number of low-income families now have one or more celiac children. At Connecticut Children's Medical Center, for example, at least a dozen families fall into this category. The Center has established a celiac scholarship program to assist with the food purchases. These families once relied on school lunches as a major source of the daily food intake for their children. Now they face the added dilemma of making that food safe for a special diet.

The ACDA just completed a survey of parents with celiac students to learn whether they were able to obtain gluten-free meals at school. Of the 2200 responses, over 92% wanted the school to provide the medically required gluten-free meals for their child. Hundreds of families have requested their child's diet be accommodated and were turned down. Over 30% stated their child was unable to receive a balanced meal by simply selecting items known to be gluten-free such as fruits and vegetables, or yogurt when going through the lunch line.

Some schools are trying very hard to accommodate medically prescribed diets and to find ways to offset the cost. Gilbert Unified School District in Arizona is one of the few districts in the country which regularly provides gluten-free options for celiac students. Earlier this year, the District Food Manager contacted the ACDA inquiring whether our organization had any grants to assist the school in purchasing gluten-free food products. It was very difficult to advise her that we do not.

It is clear that food costs are forcing schools to reevaluate how to meet the requirements set out in federal nutrition programs. As the Committee examines ways to address this issue, the ACDA urges you to ensure that needs of students with medically prescribed diets are not overlooked.

Thank you for the opportunity to present this testimony.

[The statement of Mr. Hare follows:]

Prepared Statement of Hon. Phil Hare, a Representative in Congress From the State of Illinois

Mr. Chairman, for the record, I would like to respond to assertions expressed in today's hearing that domestic ethanol production has played a significant role in the rising cost of food.

Several factors have contributed to the recent rise in global food prices, primarily high fuel costs, weather, and increased demand from China and India.

There is a tendency to blame ethanol production for the current high food prices. Yet, I would like to point out to the Committee that according to the Council of Economic Advisors, corn ethanol only accounts for 2-3 percent of the food cost increase.

Many experts agree that the underlying force driving commodity prices is higher energy costs. Higher oil prices have increased the cost of production, transportation, wages and packaging, which all contribute to the main cost of retail food.

Contrary to testimony given by Mr. Faber, corn ethanol has resulted in significant savings at the pump and has driven down the price of foreign oil.

If we are to end our costly dependence on imported oil and improve our nation's energy security, ethanol must be a part of the solution.

Mr. Chairman, thank you for giving me the opportunity to speak on this issue.

[The statement of Mr. Kucinich follows:]

Prepared Statement of Hon. Dennis J. Kucinich, a Representative in Congress From the State of Ohio

I wish to thank Chairman Miller for calling this important hearing and our witnesses for joining us here today.

Rising food costs are negatively impacting our school lunch programs. A dollar can only be stretched so far. Our states are struggling to serve the freshest and healthiest foods to our nation's children. Their struggle to stretch these precious food dollars farther as prices continue to escalate is now jeopardizing their ability to maintain nutritional priorities.

High quality and fresh food too often comes with a larger price tag. Whole grains are more expensive than products made with white flour. Fresh fruits and vegetables cost more than canned or frozen products. Current reimbursement rates per meal fall short of the cost of producing the meal. As such, our school nutrition programs are in a precarious situation. Unfortunately food dollars can be stretched farther if the freshest and healthiest foods are sacrificed for cheaper options. When this happens the real sacrifice is the health of our children.

Approximately one-third or 25 million children in the U.S. are overweight or on the brink of becoming overweight. Obesity in children is known to create a host of heath problems including an increased risk of type two diabetes and a shorter lifespan caused by heart disease and stroke. The obesity and diabetes epidemics affect low income Americans more often and with more severity. If we are serious about combating this trend we must ensure that healthy food is served in schools, our children are informed about how to make healthy dietary choices, and junk food and junk food advertising is removed from schools.

Our school nutrition programs provide an invaluable service to our communities by playing a vital role in keeping children healthy and helping them learn. In some instances, if it were not for school breakfast and lunch programs children would go hungry. During the 2006-2007 school year in Ohio the average daily participation in the school breakfast program was over 290,000 students. Over 200,000 of these breakfasts were provided to children free of charge. Over 420,000 children received free lunches through the National School Lunch Program. Hungry children have a more difficult time learning in school and can suffer from behavior problems. Furthermore, schools present knowledge to our children that help them to make healthy nutritional choices and establish healthy lifestyles for the future.

Again, I thank the Chairman for calling this important hearing and appreciate the valuable insight our witnesses are here to provide.

[The statement of Mrs. McCarthy follows:]

Prepared Statement of Hon. Carolyn McCarthy, a Representative in Congress From the State of New York

I want to thank Chairman Miller for holding this hearing today and I would like to welcome Mr. James Harnett from the Family and Children's Association on Long Island. I am very happy to have him here and I look forward to his testimony.

The rising cost of food is one facet in a complex problem facing our country today. The Healthy Families and Communities Subcommittee, which I chair, touched on the rising cost of food as we looked at the rising cost of energy for Americans, including home heating fuel and transportation costs. On Long Island, the heat or eat debate has already happened. LIHEAP monies are almost, if not already, gone, and we are not even a month into summer yet. How will families afford to stay cool AND afford healthy food or just food in general?

The Federal child nutrition programs are also affected by the rising cost of food and the fuel that it takes to bring the food to the programs for our nation's vulnerable young people. The National School Lunch Program provides nutritional, low-cost or free lunches to children each day—in 2006 the program served more than 30 million children! A similar program exists for breakfast as well. These are year round programs, feeding kids both during the school year and the summer months. Schools and programs receive commodities and financial reimbursements for each meal served.

Yet, as food costs rise, school food authorities are seeing the cost of breakfast and lunch rise faster than the standard increase in inflation -of the reimbursement

rates. Meal services must operate as non-profit programs and with costs rising without reimbursement rising similarly, therefore we are seeing tough choices being made:

Schools are raising the cost of lunches for those who can afford it.

Schools are scrutinizing every aspect of their meal programs to cut costs.

Schools could turn to selling less healthy competitive foods to increase revenue. We all know that junk food sells.

Schools will seek to purchase foods lower in price, which could mean a reduction in the amount of fresh fruits and vegetables. (In fact, the USDA recommends using canned or frozen vegetables more often to help maintain healthier meals at a lower cost).

I know that there are many other options that I have not listed, and creative, innovative actions being taken to ensure that our nation's vulnerable youth are being fed.

Communities are struggling with this issue: low-income families and even some middle-income families are feeling the pinch of tight economic times and the impact on what they feed their children. Families are moving to cheaper staples, like peanut butter sandwiches and pasta—but we know that to be healthy we need fruits and vegetables, too, and more of them both in a day than carbohydrates and fats. Nutritional standards will alter as families seek to have full stomachs and stretch their dollars farther.

Schools in communities are struggling as well, as we will hear today. I am looking forward to learning more of what the impact of higher food prices is having on our child nutrition programs and then moving on to see what role we can take in addressing this issue.

[The statement of Ms. Woolsey follows:]

Prepared Statement of Hon. Lynn C. Woolsey, a Representative in Congress From the State of California

American families across the country are struggling. Food and energy costs are rising and families are forced to make tough decisions between feeding their families, heating their homes, and paying their bills. These choices are no less severe for schools across the country. Unfortunately, students have become increasingly dependent on schools for the only nutritious meal they can get during their day. That's why it's so important that our nation's schools and child support agencies continue to have the resources they need to provide our children with healthy, nutritious meals.

Central to this effort is ensuring that every child is given access to foods that meet sound nutritional standards based upon the most current research into child nutrition. Senator Tom Harkin (D-IA) and I have introduced S. 771 and H.R. 1363, the Child Nutrition Promotion and School Lunch Protection Act, which would make certain that all foods sold in schools are based on the most current nutrition science. Current U.S. Department of Agriculture regulations that limit the sale of junk food in schools have not been updated in almost 30 years, despite major changes in nutritional science as well as changes in food consumption patterns and growth in childhood obesity. Steps to protect the health of our children must keep pace with current nutrition science.

Unfortunately, rising food costs may not only cause schools and agencies to turn to cheaper, less nutritious options, but the increased costs may affect their ability to provide food to every eligible child. Because of rising food costs, it's becoming difficult for both free meal programs and parents to provide nutritious meals to children.

This summer, more families have needed to turn to free lunch programs to feed their children. Community Action Partnership of Sonoma County, which is located in Santa Rosa, California, in my Congressional District, runs two summer programs for children. One program combines activities with a free lunch and the other program solely provides a meal. On the first day, 90 children arrived for a meal, more than the program had had show up before. There wasn't enough food for every child and 40 children were unable to get meals that day. Unfortunately, this trend continued through the rest of the summer. We have a responsibility to our children to make sure they do not go hungry. Whether it's increasing the reimbursement rate for meals or providing more flexibility so that programs can respond to rising food costs and continue to provide nutritious meals, we must find a way to help these programs ensure that every child who needs a meal receives one.

Additionally, it's clear that the challenges of providing nutritious meals to every child who needs one will continue to grow in the future. Over the past five years, corn producers have shifted from devoting only three percent of their crop to ethanol production to dedicating more than 20 percent. As a result, the price of corn has doubled, and the prices of foods dependent on corn have surged. As transportation costs increase, schools must increasing rely on organic and local producers to minimize their costs and support local agriculture. This will not only strengthen our agriculture economy, but will improve the ability of our schools to provide healthy, nutritious foods to students.

Despite the increasing challenge to providing hungry children with nutritious meals, we must continue to expand access to free and reduced price meals. Our school lunch and breakfast programs provide meals for many children who would otherwise go without or go with very little. We need to make sure that every student, including high school students, are given the option for a school breakfast and lunch if their families cannot afford to feed them. In addition, we need to give schools and agencies the option to provide dinners if the children are going to be there through the dinner hour so that these children are guaranteed to have a nutritious meal even when parents are working late. These more long-term solutions will go a long way towards ensuring that no child goes hungry. I look forward to working with my colleagues to accomplish these goals.

[Questions submitted to witnesses and their responses follow:]

U.S. CONGRESS,
Washington, DC, July 16, 2008.

SCOTT FABER, *Vice President for Federal Affairs,*
Grocery Manufacturers Association, 1350 I St NW, Suite 300, Washington, DC.

DEAR MR. FABER: Thank you for testifying at the July 9, 2008 hearing of the Committee on Education and Labor on "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs."

Please respond in writing to the following questions:

1. Please elaborate on the relationship between the Grocery Manufacturers Association (GMA) and the study done by Bill Lapp that you reference in your testimony in regards to the 9% food inflation rate forecast. Did GMA provide any funding and/or other support for Mr. Lapp's study?

2. Please provide a detailed, step-by-step explanation and justification of the methodology used by Mr. Lapp to derive the 9% inflation rate number. Please clarify exactly what this 9% rate represents.

3. Please list all of the economic studies for which GMA or its members have provided funding in the past 5 years.

4. Please list any economists or analysts who have received funding from GMA or its members in the past 3 years.

5. In your testimony, you indicated that you believe that the 54 cent tariff is preventing 15 billion gallons of ethanol from being imported. Could you please provide any supporting evidence and analysis for this assertion?

6. In your testimony, you advocate for a chance in biofuel policy. If the 2008 RFS were lowered by 50% to 4.5 billion gallons, how much ethanol reduction would you anticipate in 2008 and 2009? Please provide any supporting evidence and analysis for your position.

Please send an electronic version of your written response to the questions to the Committee staff by close of business on Monday, July 21, 2008—the date on which the hearing record will close. If you have any questions, please do not hesitate to contact the Committee.

Sincerely,

GEORGE MILLER,
Chairman.

July 21, 2008.

Hon. GEORGE MILLER, *Chairman,*
House Committee on Education and Labor, Rayburn House Office Building, Washington, DC.

DEAR CHAIRMAN MILLER: Pursuant to your letter of July 16, please accept the following responses to the questions posed by Committee members following the July 9th Education and Labor Committee hearing on "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs."

1. Mr. Lapp's June 2008 study, "Rising Commodity Prices and their Impact upon US Food Inflation," is an updated version of a December 2007 study he authored. The December study was produced without any outside financial support. GMA subsequently retained Mr. Lapp to update his study to reflect increases in commodity prices that have occurred in the time since the Energy Independence and Security Act of 2007 was enacted.

2. Mr. Lapp estimates that U.S. consumers face an average annual food inflation rate of 9 percent between 2008-2012.

Mr. Lapp's methodology involved examining historic precedent for sharp rises in commodity prices, specifically during the 1970's. Based on $5.25/bu corn (a low estimate), Lapp derived price forecasts for a variety of products (livestock/dairy/eggs) and for other food input prices (other grains/oilseeds). He estimated the share of major food products represented by farm values, leaning on USDA estimates. Lapp increased the farm value for most products 4 percent- as occurred during the 1970's surge in prices- and used a higher percentage for bakery and cereal items based on an unpublished survey of bread/bakery producers. He then factored in other input costs (labor, transportation, manufacturing)- which he projects will add 3.6 percent to food costs per year from 2008-2012. Based on all input costs, he projects a 9 percent annual increase in retail food prices.

3. GMA has funded three studies in the past year to ascertain the impact of biofuels on commodity prices, consumer food prices, and energy prices. The Advanced Economic Solutions study was released in June, as indicated. GMA was also one of several organizations that financed a study by Iowa State University's Center for Agricultural and Rural Development in July 2007 entitled "Emerging Biofuels: Outlook of Effects on U.S. Grain, Oilseed, and Livestock Markets." GMA recently hired Hart Energy Consulting for an analysis of the impact various policy change scenarios will have on energy prices. GMA is aware of only one member-funded study, written by former USDA Chief Economist Keith Collins and financed by Kraft Foods. This study was released in June 2008 and was entitled "The Role of Biofuels and other Factors in Increasing Farm and Food Prices."

4. GMA retained Bill Lapp of Advanced Economic Solutions for economic analysis related to food price inflation and has not retained or contributed to any other economists during the past three years.

5. GMA has consulted with leading experts and estimates that Brazil could increase the production of ethanol from sugar for the US market to 2 billion gallons by 2009, 3 billion gallons by 2010, and by more than 15 billion gallons by 2018. Ethanol refining capacity would also be developed in other Latin America nations, including Mexico. However, these new investments are largely dependent upon market signals for US policymakers, including the elimination of the tariff of imported ethanol. Eliminating the tariff, according to experts, would lower both food and gasoline prices.

6. GMA has urged the Administration to reduce the RFS mandate for 2008 and 2009 to production levels for 2007. I have attached our comments to EPA.

Thank you again for providing me the opportunity to share the Grocery Manufacturers Association's views on this important issue.

Sincerely,

SCOTT FABER,
Vice President, Federal Affairs.

U.S. CONGRESS,
Washington, DC, July 10, 2008.

JAMES J. HARNETT, *President & CEO,*
Family and Children's Association, 100 East Old Country Road, Mineola, NY.

DEAR MR. HARNETT: Thank you for testifying at the July 9, 2008 hearing of the Committee on Education and Labor on "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs."

Representative Lynn Woolsey (D-CA), a member of the Early Childhood, Elementary and Secondary Education Subcommittee, has asked that you respond in writing to the following questions:

1. What are the benefits to allowing schools and agencies to serve a third meal, such as dinner?

2. What are the benefits to expanding the Afterschool Supper Program to children over the age of 13? What additional resources are needed to accomplish this?

Please send an electronic version of your written response to the questions to the Committee staff by close of business on Monday, July 21, 2008—the date on which

the hearing record will close. If you have any questions, please do not hesitate to contact the Committee.

Sincerely,

GEORGE MILLER,
Chairman.

Mineola, NY, July 22, 2008.

Hon. GEORGE MILLER, *Chairman,*
Committee on Education and Labor, U.S. House of Representatives, Washington, DC.

DEAR CONGRESSMAN MILLER: Thank you so much for your letter regarding my testimony on July 9, 2008 at the Education and Labor Committee's hearing on "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs" and for the follow-up questions from Representative Lynn Woolsey (D-CA).

With regard to Representative Woolsey's first question, I believe the benefits of allowing schools and agencies to serve a third meal include:

1. Providing a third meal gives children and teens full access to the nutritious meals that their bodies need. It eases the burden on low-income families that are struggling to make ends meet. It decreases the likelihood that families will run out of money for food at the end of the month; that children will go without the nutrition their bodies need; and that parents will give up the food they need so their children do not have to go without.

It also is likely that providing a third meal will help counter the current childhood obesity epidemic. Studies show that children who participate in the school breakfast and lunch programs drink more milk, eat more fruits and vegetables, and consume less fat. A recent study found that girls who participate in school breakfast, school lunch or food stamps programs were less likely to be overweight. Like the school meals programs, the afterschool and summer nutrition programs have nutrition requirements that ensure the nutritional value of the meals.

As I testified it is important to allow schools and organizations to provide a third meal after school and during the summer. Currently, the Summer Food Program provides only sufficient funding at most sites (except migrant sites and camps) for a maximum of two meals.

2. The Afterschool Supper Program allows school-age children and teens to receive a supper at afterschool or youth development programs. A meal can also be provided at programs operating on the weekend or during school holidays. As you know, the program is only available in eight states: my state, New York, Delaware, Illinois, Michigan, Missouri, Oregon, Pennsylvania and West Virginia. More states should be included in this important nutrition program, so that afterschool programs can better meet the needs of the families they serve.

The Afterschool Supper Program is easier to administer than the Child and Adult Care Food Program (CACFP) option, which allows children younger than 13 to receive suppers. Afterschool programs that are located in a low-income area are eligible to participate in the Afterschool Supper Program. To provide suppers under the CACFP option for children younger than 13, afterschool programs have to individually qualify each child for the program. This creates a tremendous amount of administrative work.

This program is especially important for children whose parents work non-traditional hours, which is common for many low-income parents. Many afterschool programs operate long hours to provide quality programming and child care to meet the needs of the families they serve.

In addition to supporting low-income families, the Afterschool Supper Program makes it more cost effective to feed children after school even when the cost of food is skyrocketing. First, all of the suppers are reimbursed at the highest rate of reimbursement (the free rate). The program, allowing children younger than 13 to receive supper, bases the reimbursement rate on the household income of each child who attends the afterschool program.

Second, it is difficult to provide a healthy snack with the $0.71 allotted for snack reimbursement. In order for an afterschool program to be reimbursed for a snack, it must serve two of the four components (milk, a serving of fruits or vegetables, a serving of protein, and a grain). The supper must include five components (milk, two servings of fruits or vegetables, a protein, and a grain). The supper reimbursement is $2.57 plus an additional $0.2075 in commodities or cash in lieu of commodities, a total of $2.7775 per meal.

Afterschool programs need to serve three components in addition to the two required for snacks. This additional funding allows afterschool programs to provide healthier food, to serve enough food to keep children and teens learning and en-

gaged throughout the afternoon, and to more fully cover administrative and transportation costs.

In expanding the supper program to additional states, I think it is critical to further streamline the program. For example, it would be much easier for schools to participate if they could do so through the school nutrition programs instead of through the CACFP. Operating a second child nutrition program simply creates more administrative work for the school.

With regard to Representative Woolsey's second question, the first part is easy: teenagers over 13 years old simply require more nutritious food to feed their growing bodies. I look back in some shock at how much food I could eat as a teenager without significant weight gain and how little food I require now to produce weight increase.

The second part of the question is much more complicated and beyond my current information. I was able to review some data for 7 of the 8 states in the After School Supper program, but for only one month (October 2007) and the data was not broken down by age.

Since the Afterschool Supper Program is an entitlement program, the additional resources required to expand the supper program, if my understanding is correct, would be determined by the Congressional Budget Office. I assume that the U.S. Department of Agriculture may also have the data to answer Representative Woolsey's question.

I am confident that a simple calculation would show that the costs of expanding the program would be reasonable compared to the positive impact it will have on low-income children and their families.

Thank you again for the opportunity to testify. I am grateful for the Committee's leadership in recommending the reauthorization and improvement to these critically important nutrition programs for our Country's economically disadvantaged children to the full House of Representatives for its consideration.

Sincerely,

JAMES J. HARNETT,
President & CEO.

U.S. CONGRESS,
Washington, DC, July 16, 2008.

KATE HOUSTON, *Deputy Under Secretary for Food, Nutrition and Consumer Services, U.S. Department of Agriculture, 400 Independence Ave., S.W., Washington, DC.*

DEAR MS. HOUSTON: Thank you for testifying at the July 9, 2008 hearing of the Committee on Education and Labor on "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs."

Representative Danny K. Davis (D-IL), a member of the Early Childhood, Elementary and Secondary Education Subcommittee and the Higher Education, Lifelong Learning and Competitiveness Subcommittee, has asked that you respond in writing to the following question:

1. Since it's important that we continue to offer our kids milk with each school meal and since milk prices—like all food prices—have been rising, doesn't that make it all the more important that Congress look at additional resources to make reimbursement rates more realistic?

Representative Lynn Woolsey (D-CA), a member of the Early Childhood, Elementary and Secondary Education Subcommittee, has asked that you respond in writing to the following questions:

1. As a Member of the Energy and Environment Subcommittee of the Science Committee, I am interested to hear your views on how increased production of corn ethanol has affected our ability to provide sound nutritious meals to our children?

2. In your recommendations for how schools could increase revenue you suggest that schools consider increasing prices for ala carte items. It is our understanding that there are no nutrition standards for ala carte items unlike the reimbursable meal. How does the Department reconcile this policy with its effort to increase nutritious foods in the program and efforts to reduce childhood obesity?

Please send an electronic version of your written response to the questions to the Committee staff by close of business on Monday, July 21, 2008—the date on which the hearing record will close. If you have any questions, please do not hesitate to contact the Committee.

Sincerely,

GEORGE MILLER,
Chairman.

U.S. CONGRESS,
Washington, DC, July 10, 2008.

PAULA JAMES, *Director,*
Child Health and Nutrition Program, Contra Costa Child Care Council, 1035 Detroit Ave., Concord, CA.

DEAR MS. JAMES: Thank you for testifying at the July 9, 2008 hearing of the Committee on Education and Labor on "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs."

Representative Lynn Woolsey (D-CA), a member of the Early Childhood, Elementary and Secondary Education Subcommittee, has asked that you respond in writing to the following question:

1. What are the benefits to allowing schools and agencies to serve a third meal, such as dinner?

Please send an electronic version of your written response to the questions to the Committee staff by close of business on Monday, July 21, 2008—the date on which the hearing record will close. If you have any questions, please do not hesitate to contact the Committee.

Sincerely,

GEORGE MILLER,
Chairman.

Responses to Questions for the Record From Ms. James

What are the benefits of allowing schools and agencies to serve a third meal, such as dinner?

As I stated in my testimony, more and more children are coming to child care hungry. As families struggle to keep food on the table, the meals provided by the Child and Adult Care Food Program, as well as those provided by the other federal nutrition programs in schools and afterschool programs, provide a significant safety net. Young children are often in child care settings for long hours—sometimes from 6 AM to 6 PM or even later if their parent(s) work non-traditional hours. As a result, many of them have at best a compromised dinner. In Contra Costa County, as in many other areas of the country, working parents have long commutes; time constraints and a lack of money make fast food dinners a growing reality. Child care providers tell us that often the foods the children get in child care are the only food they get all day. These stories are repeated in school based nutrition programs as well.

Reimbursing for a third meal, dinner, would provide a significant nutrient contribution to children in child care and after school programs. There is no question that if a growing young child had access to a nutritious federally reimbursed dinner while they are in care, that they would consume more fruits, vegetables, and milk and fewer foods like chips, fries and sodas. This latter group of unhealthy foods are a reality for many families who struggle with little time and money to put healthy, nutritious foods on the table that will benefit a growing child. Thus, reimbursement for a third meal would also likely contribute to the prevention of childhood obesity.

The Child and Adult Care Food Program currently provides reimbursement for dinners in afterschool programs in seven states (Delaware, Illinois, Michigan, Missouri, New York, Oregon, Pennsylvania and West Virginia), for children in low-income neighborhoods participating in educational and enrichment programs. CA has invested $550 million dollars in quality afterschool programs for low-income children. If children in these programs had access to a nutritious dinner, this investment would be increased significantly and the benefit to the kids could not be overstated.

However, before taking steps to expand child nutrition programs to include a third meal, steps must be taken to improve access and participation by simplifying the paperwork and administrative burdens associated with operation of these programs. In CA and nationally, the administrative cost and paperwork burdens have outstripped the ability of these organizations to stay financially viable. The cost of administering the programs far outweighs the administrative reimbursement.

Reimbursement for a third meal such as dinner would be invaluable to many young children, providing food security where there may be none, alleviating hunger, helping in the prevention of childhood obesity and supporting struggling families with the knowledge that their children have access to a healthy dinner. In consideration of this recommendation, Congress must ensure that the organizations needed to administer the program have the administrative resources and program simplification to do the job.

U.S. CONGRESS,
Washington, DC, July 10, 2008.

EPHRAIM LEIBTAG, PH.D., *Economist,*
U.S. Department of Agriculture, Room N2124, 1800 M Street, NW, Washington, DC.

DEAR DR. LEIBTAG: Thank you for testifying at the July 9, 2008 hearing of the Committee on Education and Labor on "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs."

Representative Lynn Woolsey (D-CA), a member of the Early Childhood, Elementary and Secondary Education Subcommittee, has asked that you respond in writing to the following question:

1. Several witnesses suggested that the Consumer Price Index should be updated more than once a year to better reflect the changing costs for providing meals to our children. Would this better help struggling communities in times of rising food costs?

Please send an electronic version of your written response to the questions to the Committee staff by close of business on Monday, July 21, 2008—the date on which the hearing record will close. If you have any questions, please do not hesitate to contact the Committee.

Sincerely,

GEORGE MILLER,
Chairman.

U.S. CONGRESS,
Washington, DC, July 10, 2008.

KATIE WILSON, *Food Service Director,*
Onalaska Schools, 705 8th Ave N, Onalaska, WI.

DEAR DR. WILSON: Thank you for testifying at the July 9, 2008 hearing of the Committee on Education and Labor on "The Rising Cost of Food and Its Impact on Federal Child Nutrition Programs."

Representative Lynn Woolsey (D-CA), a member of the Early Childhood, Elementary and Secondary Education Subcommittee, has asked that you respond in writing to the following question:

1. How have increased food prices impacted the ability of schools to offer universal school breakfast?

Please send an electronic version of your written response to the questions to the Committee staff by close of business on Monday, July 21, 2008—the date on which the hearing record will close. If you have any questions, please do not hesitate to contact the Committee.

Sincerely,

GEORGE MILLER,
Chairman.

Responses to Questions for the Record From Dr. Wilson

How have increased food prices impacted the ability of schools to offer universal school breakfast?

Universal breakfast programs are known to be powerful tools in promoting healthy childhood weight, increasing academic success and combating hunger. We also know that universal breakfast programs reduce the stigma associated with free school breakfast and greatly increase overall participation in school breakfast. Universal breakfast programs function best when schools serve a high percentage of students who are eligible for free and reduced meals. School districts are able to offset the cost of providing free breakfasts to all children due to the increase in participation in the breakfast program. The increase in reimbursements from free and reduced meals offsets the revenue that would have been generated from paid students who participate. Rising food costs increase the break even point—the point at which meal production costs equal reimbursement revenue. If a school is unable to reimburse for enough meals to cover their costs, they will suffer a loss and that money will need to be directed from somewhere else in the school nutrition program.

In the past, school districts were willing to maintain a negative revenue balance on their universal breakfast program in order to provide students with such a valuable service. Unfortunately, rising costs of food, labor and indirect expenses are leaving school districts with no additional revenue to support the program. Although not yet widespread, SNA has observed programs who historically have offered universal breakfast discontinuing the program related to increased costs. Preliminary

data from SNA's Meal Cost Survey shows that 27% of school districts are eliminating programs and services in order to reduce expenses. As prices continue to increase we expect more districts will need to discontinue important programs, such as this, to maintain financial integrity.

[Whereupon, at 12:01 p.m., the committee was adjourned.]

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