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## Surplus U.S. food supplies dry up

By Sue Kirchhoff, USA TODAY

WASHINGTON — As the farm economy collapsed in the 1980s, the U.S. Department of Agriculture was saddled with mountains of surplus cheese, corn and other foods that it socked away in warehouses and even caves.

As recently as 2003, the USDA had to buy so much powdered milk to support dairy prices that beleaguered officials shipped some to U.S. ranchers for cattle feed.

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While the previous surpluses were costly and sharply criticized, much of the food found its way to the poor, here and abroad. Today, says USDA Undersecretary Mark Keenum, "Our cupboard is bare."

U.S. government food surpluses have evaporated because, with record high prices, farmers are selling their crops on the open market, not handing them over to the government through traditional price-support programs that make up for deficiencies in market price.

Worldwide, food prices have risen 45% in the past nine months, posing a crisis for millions, says the United Nations' Food and Agriculture Organization.

Because of the current economics of food, and changes in federal farm subsidy programs designed to make farmers rely more on the markets, large U.S. reserves may be gone for a long time.

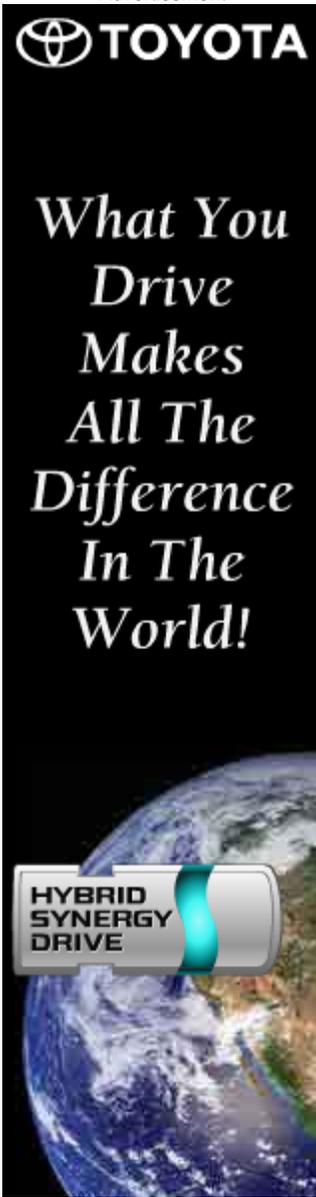
The upshot: USDA has almost no extra food to supplement the billions in cash payments it spends to combat hunger at home and in developing nations.

A coalition of religious and farm groups, in an open letter to Congress this week, warned that low supplies increase the risk of hunger and higher prices, calling for creation of a strategic grain reserve.

"As a matter of national security, our government should recognize and act on its responsibility to provide a stable market for food in an era of unprecedented risk," says the letter from the National Family Farm Coalition and various groups.

Others experts say large government stockpiles are not only unnecessary, they are counterproductive. That includes John Block who, as President Reagan's Agriculture secretary during the 1980s, went to enormous lengths to get rid of extra food: giving commodities to farmers as payment for idling land, offering surplus grain as

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a subsidy to exporters and holding cheese giveaways for the poor.

"We shouldn't have large reserves stacked up. It was very costly for us," Block said, noting that for years he was accused by other nations of depressing their farm sectors by dumping extra U.S. food on world markets.

Still, even he terms the current world situation "shocking" in the sense that prices for so many types of food have risen at once.

The USDA's sole remaining sizable stockpile contains about 24 million bushels of wheat in a special government trust dedicated to international humanitarian aid. The special food program, which also holds \$117 million in cash, has dwindled from its original 147-million-bushel level as Republican and Democratic administrations have used it but not fully replenished it.

That leaves the Bush administration with less flexibility to respond quickly to international food aid needs. President Bush in mid-April drew \$200 million from the Emerson Humanitarian Trust, named after former congressman Bill Emerson, a Missouri Republican. Bush's action followed a desperate plea from the United Nations for food aid. Thursday, the president announced he would ask Congress for \$770 million in separate, additional funding to meet international needs.

But Agriculture Secretary Ed Schafer, at a recent food aid conference, says his agency faces tough decisions about managing the rest of the reserve in times of widespread hunger. "How far do we draw down?" he asked. "Do we take it down to zero because we need it? Do we hold some in there, because who knows what's going to happen, for emergency purposes later?"

### **Nutrition programs in need**

Domestic nutrition programs, supported by once-bountiful commodity supplies, also face increasing stress. In a sign of how tight the situation has become, Keenum last summer dug into little-used legal authority to barter the last remaining USDA raw cotton and other surplus for about \$120 million of canned meat and other processed goods desperately needed by domestic food banks and international programs.

"Now that we've created the program, it would be great if we had more stocks we could convert," Keenum says. "We just don't."

The fact that USDA's larders are depleted doesn't mean the country is out of food. The vast majority of U.S. grain is in the hands of farmers and private firms. Overall, the USA is expected to have carryover supplies of 241.9 million bushels of wheat this year, for example. But the USDA situation is indicative of broader trends, with domestic and international grain supplies in decline.

Total U.S. wheat stocks are down from 777 million bushels in 2001, and are the lowest since World War II. The USDA says that's about a 35-day supply of wheat and notes that farmers in Texas are already starting to harvest a new crop. The American Bakers Association estimates the country has a 24-day supply of wheat compared with the previous three-month level on hand.

International grain supplies are the tightest in three decades, and prices of wheat, corn, rice and other food staples have doubled or tripled.

"The whole world has gotten fairly sanguine about food supplies," says Bruce Babcock, director of the Center for Agricultural and Rural Development at Iowa State University. "Advances in logistics and just-in-time production have allowed the world to get by on very low stock levels for a very long time. We kind of undershot it this year."

But Babcock says a strategic food trust like that proposed by farm and religious groups raises tough policy questions: How would it be managed? When would it be tapped? Whom would it benefit? And how would USDA keep it from acting as a disincentive to advances in productivity?

There is some basis for comparison. The nation for years has maintained a strategic petroleum reserve as a form of energy security. The White House, which now wants to increase supplies in the reserve, is in a struggle with members of Congress

who say such a move is unwise at a time when oil prices are above \$100 a barrel.

Congress, so far, has responded to the growing food crisis by proposing a major increase in nutrition funding in a five-year farm bill now under debate. Lawmakers and the White House are also prepared to spend more money for international programs. The U.S. in the last year provided more than \$2 billion in foreign food aid.

"The commitment is there to deal with the international and domestic situation ... in a formidable way," says Rep. Rosa DeLauro, D-Conn., chair of a House subcommittee that funds food aid.

But there has been no major re-examination of one of the major factors contributing to tight supply: recent federal laws mandating increased production of ethanol, which in the USA is generally made from corn.

Many farmers today are growing crops for fuel, not food, a development outside of USDA control and one that makes it harder for the government to manage crop production. As much as a third of the corn crop could be dedicated to ethanol production.

### **Commodity programs**

The USDA accumulates stockpiles several ways. It buys dairy products when prices are low. Farmers who grow wheat, corn, soybeans and other grains can forfeit their crop to pay off loans. The USDA can buy crops, including fruits and vegetables, when surpluses develop.

The federal government spends more than \$60 billion a year on food stamps, the school lunch program and other nutrition aid. Much of that is in cash, but the programs can also benefit from surplus commodities. The USDA on Thursday announced it would buy \$50 million in pork products for feeding children and school lunch programs, as part of its effort to cope with rising food prices. The purchase also helps pork producers who have been hit by rising grain prices.

In general, higher prices mean federal spending is rising, and many school districts are being forced to raise lunch prices. High prices and low supplies have probably had the most immediate impact on food banks, which face rising caseloads and falling private-sector donations as the economy slows.

"USDA food truly is some of the most nutritional that we receive. We are located where there is no food industry other than retail groceries and small restaurants. ... We could not feed the people we need to without the support of the USDA," says Rhonda Chafin, executive director of the Second Harvest Food Bank of Northeast Tennessee. America's Second Harvest, a network of 205 food banks serving 25 million, is seeing a 20% rise in its caseload.

Food banks and other programs receive \$140 million in annual commodity donations, which could rise to \$250 million in the five-year farm bill under debate. The USDA provides extra food via a bonus program, buying surplus goods as they become available.

The program is an add-on that varies from year to year, though food banks have come to rely on it. The bonus began to dry up several years ago as food prices rose, plummeting from about \$250 million in 2003 to \$58 million last year. The USDA barter program has partly picked up the slack.

The Emerson Trust, the reserve for humanitarian aid, was created when the government was swimming in supply. The trust isn't the main U.S. food aid program but is an important backstop that's been tapped seven times since 2002 to aid Africa and Iraq.

### **Sporadic replenishment**

The trust has been sporadically replenished since the mid-1990s. In addition to wheat, it now holds \$117 million in cash: enough to buy about 14.6 million bushels of wheat at the current price. Still, that would leave overall supply down about two-thirds from original levels. International feeding organizations, which have pushed for years to get the trust replenished, note that it is the only U.S. stockpile for emergency needs. Now, at a time when it is desperately needed, they say, the stocks are not there.

Food aid "is going to have to be significantly higher if we're going to continue to play the role we've played in the past; ... \$117 million is not much," says Lisa Kuennen-Asfaw of Catholic Relief Services.

As is the case with many food programs, use of the trust has been politically charged in the past. For example, wheat growers have protested that pulling wheat out of the trust when prices are low further depresses markets. Companies that have been paid for years to hold supplies of wheat for the trust don't want to lose their payments.

USDA's Keenum says the U.S. government has the will and the money to continue providing needed resources to hungry people.

"We're not seeing a shortage of food in this country," Keenum says. "The issue is having the resources to purchase food for international and domestic needs."

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