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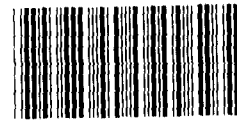
GAO

Report to the Chairman, Committee on  
Agriculture, Nutrition, and Forestry, U.S.  
Senate

March 1988

# FOOD ASSISTANCE

## Practices of the European Community and Selected Member Nations



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United States  
General Accounting Office  
Washington, D.C. 20548

**Resources, Community, and  
Economic Development Division**

B-230189

March 15, 1988

The Honorable Patrick J. Leahy  
Chairman, Committee on Agriculture,  
Nutrition, and Forestry  
United States Senate

Dear Mr. Chairman:

In response to your June 12, 1987, request, we have reviewed the food assistance programs of the European Community and four of its members—France, Great Britain, Ireland, and West Germany. The report describes the food assistance programs and their use of agricultural surpluses.

We are sending copies of this report to the Secretaries of Health and Human Services and Agriculture and other interested parties.

Major contributors to this report are listed in appendix II.

Sincerely yours,

Brian P. Crowley  
Senior Associate Director

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# Executive Summary

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## Purpose

To help needy Americans, the United States spends about \$20 billion annually for food assistance programs. These programs are designed primarily to meet individuals' nutritional needs while also reducing farm surpluses. Since both food assistance and farm support programs have grown increasingly costly, there is congressional interest in determining how other developed nations have addressed these issues. As a result, the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry asked GAO to examine the food assistance programs of the European Community (EC) and four of its members—France, Great Britain, Ireland, and West Germany—and answer the following questions:

- What food assistance programs do the European Community and each nation have, and how do they operate?
- Do the European Community and each nation use their agricultural surpluses in food assistance programs to reduce welfare costs?

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## Background

The European Community is an economic union of 12 Western European countries. In 1986, the EC exported over \$28 billion of agricultural products.

In the mid-1960s the EC established a "common agricultural policy" that is funded by all participating countries. This policy, which requires member nations to yield substantial powers over agricultural policy to the EC, has been highly successful in making the EC more agriculturally self-sufficient. Yet, it is an expensive policy that has led to large surpluses in some commodities. Over the past 14 years, European Community budget expenditures for agriculture have increased at a rate 50 percent faster than the growth of the EC's gross domestic product.

According to European Community officials, the EC's food assistance programs have been influenced by a desire to build future markets for commodities, dispose of surpluses, assist the needy, and improve its public image.

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## Results in Brief

Food assistance programs benefiting European Community citizens come from both the EC and the individual efforts of member nations, with the former being the primary sponsor of these programs. While the EC programs help to assist the needy and to dispose of agricultural surpluses, they are small in comparison to those of the United States.

During the past 16 years, the EC has operated 10 food assistance programs, 4 of which were temporary. EC members were required to participate in four of the programs, while participation in the remaining six was optional. On the basis of available data, GAO estimates that the six programs currently underway cost the European Community about \$227 million annually. According to EC officials, food assistance programs annually dispose of about 1 percent of Community surpluses. These programs are intended to supplement each member's national welfare program.

The national welfare programs in the four countries that GAO visited focus primarily on the overall well-being of the needy rather than their specific food needs. For this reason, the countries have few national food assistance programs. Instead, they generally provide cash benefits, redistributing income primarily through social assistance programs, rather than conducting specific feeding programs. The nations expect a portion of the cash benefits for social assistance recipients to be spent on food. They do not, however, set benefit levels by earmarking a specific amount or percentage of the benefits for food.

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## GAO's Analysis

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### European Community Food Assistance Programs

The European Community has sponsored 10 food assistance programs aimed mainly at increasing consumption within the EC and reducing stored surpluses of dairy products, beef, and veal. Four of these programs—a beef and veal subsidy for prepared meals, a free distribution of fruit and vegetables, a butter subsidy for people receiving social assistance, and a winter emergency free food program—have emphasized helping the needy.

The six other programs have focused more on increasing food consumption and disposing of surplus commodities, rather than on providing food assistance to the needy. All of these programs draw upon milk or milk products, and in most cases they have disposed of several thousand tons of commodities. However, according to EC and national officials, some programs also have displaced some retail market sales.

In addition, from 1981 to 1986, the EC also provided nearly \$3.17 billion of food—mainly edible grains, skim milk powder, and butter oils—to developing nations. European Community officials told GAO, however,

that the EC Council of Ministers—the principal decision-making body—believes that such programs encourage dependency and therefore are not an effective means for disposing of EC surpluses.

## National Programs

France. France has participated in seven EC programs. Additionally, on its own, France supports or has supported three programs: (1) free food distribution during the winter, (2) surplus potatoes offered to charities, and (3) subsidized lunches in schools. France also relies to a great extent on private sector efforts, particularly food banks and “restaurants of the heart,” which serve hot meals or distribute food baskets to the recently unemployed.

Great Britain. Britain has participated in six EC programs. In addition to these programs, Britain provides social assistance benefits that are primarily distributed through cash benefit programs that provide money to eligible recipients. These cash benefits do not separate food costs from other living expenses. Also, Britain offers two programs that are scheduled to be substantially reduced on April 1, 1988: (1) free milk and vitamins to needy pregnant women and recently delivered mothers and their children under age 5 and (2) free school meals to needy students. Other available programs include a cash allowance for those on special diets and a “meals on wheels” program for the elderly.

Ireland. Ireland has participated in eight EC programs. Ireland’s participation is high because about one-fifth of its citizens are unemployed and needy. For its own national programs, Ireland prefers to provide cash benefits rather than food for its needy citizens. It does, however, offer three food assistance programs in addition to its social welfare program: (1) a limited school meals program, (2) a “meals on wheels” program for the elderly, and (3) cooked meals for the homeless and those living in shelters. Furthermore, Ireland relies upon the active charitable work of the Catholic Church to meet its citizens’ needs.

West Germany. Germany has participated in seven EC programs. It has no national food assistance programs of its own, but it does provide cash benefits through a social assistance program. Benefit levels for the program are determined by pricing a “market basket” consisting of food and other items. Additionally, major religious charities are well organized and work closely with all levels of government to provide programs that augment government aid to the needy. Food distribution programs sponsored by these charities exist only at local levels and on an ad hoc basis.

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## Observations

Generally, cash benefits are the primary tool for addressing the food needs and other needs of the poor within the European Community nations that GAO visited. The food assistance programs that exist are available primarily because the EC has surpluses of certain commodities—mainly dairy products, edible grains, and beef. Displacement of retail sales of these commodities appears to be an issue only in those programs designed to serve the general population.

Since the EC, rather than the producing nation, controls all surplus commodities produced under the common agricultural program, member nations have few surplus commodities to distribute. GAO was told by many officials that there are national sensitivities about stigmatizing recipients of publicly distributed surplus food and that this distribution represents an antiquated approach to assisting the needy. Thus, food assistance programs within the EC are small in comparison to U.S. programs and are often temporary. GAO did not find the European Community or any of the member nations visited by GAO to be using their surplus commodities in ways intentionally designed to lower social assistance costs.

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## Agency Comments

GAO submitted copies of draft sections of the report to officials of each government visited for informal comment and made changes to the report, as appropriate. However, it did not request written comments on this report because it did not analyze the programs of the EC or its member nations.

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**Abbreviations**

CAP	common agricultural policy
EC	European Community
ECU	European currency units
GAO	U.S. General Accounting Office
RCED	Resources, Community, and Economic Development Division

# Introduction

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## Background

The European Community (EC) is an economic union of Belgium, Denmark, France, Great Britain, Greece, Luxembourg, the Netherlands, Ireland, Italy, Portugal, Spain, and West Germany. It is the largest market for U.S. agricultural exports. It is also a major exporter and rival to the United States in world markets, having exported over \$28 billion in agricultural products in 1986, for example.

Over the past decade, member nations have yielded substantial powers to the EC, especially in the area of agricultural policy. As a consequence, they have common food assistance programs that are funded and implemented by the 12 EC members.<sup>1</sup> In addition, member nations have their own national food and social assistance programs.

Like the United States, the EC is a developed economic power. It has surpluses of major agricultural commodities, including dairy products, as does the United States. It also has aggressive support policies such as price supports, export promotions, and import restraints. Further, like the United States, the EC has a vigorous economy, but also a significant poor or disadvantaged population. Its last common characteristic is fiscal restraints on its ability to fund welfare, nutrition, and feeding programs.

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## Major Economic Stature

Seen as a single entity rather than 12 separate and distinct entities, the EC has grown to major economic stature. Its gross national product is nearly identical to the United States' and over three times that of the Soviet Union. (The EC's surface area is less than one-third of the United States' and about one-tenth of the Soviet Union's, and the EC's population of over 300 million is larger than either superpowers'.) The value of both exports and imports per capita far exceeds that of the United States, as indicated by table 1.1.<sup>2</sup>

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<sup>1</sup>In this report we have employed a broad definition of "food assistance" in order to report on as many EC and governmental programs as possible. We have defined a food assistance program as any program that has had a primary or secondary goal of enhancing or upgrading the nutritional well-being of any portion of the population.

<sup>2</sup>Per capita values are given in European currency units (ECU), the financial medium of exchange within the EC. An ECU's value is determined by the combined values of the currencies of each member nation. The ECU is not an actual currency, but rather a convenient way of reckoning accounts among member nations. Where practical, we have converted ECUs to U.S. dollars using annual conversion rates published by Eurostat, the official statistical organization and data base of the EC. In January 1988, 1 ECU equaled \$1.30 U.S.

**Table 1.1: Economic Comparisons of the EC, the United States, and the Soviet Union**

	EC	United States	Soviet Union
Gross national product (billions of units of buying power)	3221	3248	1009
Gross national product per capita (units of buying power)	8734	15689	3800
Exports per capita (ECU)	2096	961	377
Imports per capita (ECU)	2207	1236	331

Source: 1983 EC Data Sheet on Members, Regions, and Administrative Units.

### EC Management Structure

The EC has grown from 6 to 12 members since 1957. Its two most important bodies are the Council of Ministers and the EC Commission. The Council of Ministers is the EC's principal decision-making body, composed of ministers from each member nation. The EC Commission proposes actions to the Council and implements the Council's decisions. Located in Brussels, it is comprised of 17 commissioners appointed jointly by the member nations' governments. The Commission is central to the system as it is the sole initiator of EC legislation. Its major workload involves program implementation and management.

### The EC Common Agricultural Policy

A common agricultural policy (CAP) was established by the EC in the mid-1960s. This policy is mandatory throughout the EC. It was founded on three principles: unity of market organization and pricing, the preference of member nations for EC products, and EC funding for a unified agricultural policy. The CAP relies mainly on price supports to maintain farmers' incomes. Internal prices are maintained at above-world-market levels basically by (1) levies and duties on foreign commodities that compete directly with EC production; (2) intervention buying to withdraw excess supplies from the market, store it as "intervention stock," and strengthen prices; and (3) export subsidies to allow surpluses to be sold on the world market.

The CAP has been very successful in making the EC the world's largest trading bloc. It is

- the world's largest importer of agricultural products, including cotton, soybean meal, and corn gluten feed;
- an importer of 20 percent of U.S. agricultural exports in 1986, including soybeans, tobacco, and feed grains; and

- the world's largest agricultural exporter and a direct competitor of the United States in the world markets for such products as wheat, poultry, cheese, and butter.

EC agricultural exports for 1986 were valued at more than \$28 billion, compared with \$26 billion for U.S. agricultural exports.

## EC Surpluses

The EC's agricultural policy, although successful in making the EC self-sufficient in its supply of major agricultural products, has led to surpluses of dairy products, edible grains, beef, veal, and other commodities. The surpluses began in the 1970s and became a problem in the early 1980s. Because of rising productivity that resulted from the CAP, slackening consumer demand in Europe, and recession-induced slowing of demand on world markets, the EC began amassing thousands and in some cases millions of tons of excess commodities. Table 1.2 lists the EC surpluses of 10 of the commodities that the EC continues to overproduce.<sup>3</sup> The EC's response to the surpluses, and to the growing cost of its agricultural support system, has been to impose production quotas to reduce surpluses, encourage increased domestic consumption, and dispose of surplus commodities through a variety of food assistance and surplus disposal programs.

<sup>3</sup>Quantity figures used throughout this report were collected in metric tons, weighing 2,204.6 pounds. They have been converted to the more familiar short ton, weighing 2,000 pounds, which is the measurement used throughout this report.

**Chapter 1  
Introduction**

**Table 1.2: Selected EC Agricultural Surpluses, November 30, 1986**

(tons in thousands)	
<b>Commodity</b>	<b>Quantities in storage</b>
Alcohol	17,607 <sup>a</sup>
Beef/veal	740,740
Butter	1,430,012
Edible grains	16,222,396
Cheese	4,416,916 <sup>b</sup>
Oils	342,701
Pork	107
Skim milk powder	933,467
Sugar	17,398
Tobacco	43,434
<b>Total</b>	<b>24,147,171<sup>c</sup></b>

<sup>a</sup>In thousands of gallons.

<sup>b</sup>Estimated for 1987.

<sup>c</sup>Not including alcohol.

Source: Sixteenth Financial Report on the European Guidance and Guarantee Fund, November 17, 1987; 1987 estimate for cheese by EC agricultural officials, January 1988.

The surpluses listed in table 1.2 were acquired through intervention buying under the CAP. They are the property of the EC as a whole and not of the individual countries that produced them. For this reason, these surpluses can only be used for EC programs and may not be used for the national food assistance programs of individual member nations.

**EC Budget**

The EC has had small budget deficits since 1984. In 1987, the latest year for which reliable data were available, the EC budget was about \$41.02 billion. This represented less than 1 percent of the gross domestic product of its member nations. Revenues for 1987 totaled \$40.7 billion. About 63 percent of these revenues were obtained by the EC through a 1.4 percent value added (sales) tax assessed on each member country. Other sources of EC funds are customs duties (27 percent of revenues), levies to raise the price of imported agricultural products (6 percent), and sugar surplus-production levies (3 percent).

Agriculture accounted for about 66 percent of the 1987 budget, almost all of which was for farm price guarantees. This large share occurs primarily because agriculture is an area in which EC financing has most effectively taken over from national financing. In addition, food exports

and internal EC consumption of food have grown more slowly than production, especially in dairy and grain commodities, requiring the EC to purchase much of the overproduction at high intervention prices.

In the past 14 years, EC budget expenditures for agriculture have increased at a rate 50 percent faster than the growth of the EC's gross domestic product. Farm program costs have shot up in recent years to a level roughly comparable to U.S. agricultural support costs. As a result, pressures have grown to limit EC agricultural expenditures.

For both structural and philosophical reasons, the EC welfare budget is minor in comparison to that of the United States, and EC food assistance efforts are small compared to U.S. programs such as food stamps. In the past 16 years, the EC has implemented 10 food assistance programs. Six of the 10 programs are or were optional and were implemented only if the member nation elected to do so; the other 4 are or were mandatory programs that were implemented throughout the EC. Six of the 10 programs continue to operate. On the basis of available data, we estimate that these six programs annually dispose of about 435,000 to 468,000 tons of commodities at a cost to the EC of \$227 million. EC officials estimate that these programs dispose of about 1 percent of the EC surpluses annually. (The 10 EC programs are discussed in ch. 2, and the cost and disposal quantities of ongoing programs are summarized in app. I.)

In addition to the food assistance programs, the EC spent about \$3.05 billion (7.4 percent of the EC's \$41.2 billion 1987 budget) on social assistance programs. These funds were used mainly to combat unemployment. (Although most of the EC member nations that we visited had small food assistance programs of their own, each had a substantial social assistance program that provided cash aid to the needy. These national programs are discussed in ch. 3.) Development cooperation, which includes food aid and assistance to developing countries, was allocated an additional 3.4 percent of the EC budget.

## Objectives, Scope, and Methodology

On June 12, 1987, the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry asked us to describe the food assistance programs of developed nations with surplus agricultural products and economic conditions similar to the United States'. Noting that the United States spends over \$20 billion annually on food assistance programs that have the dual objectives of helping poor Americans meet their nutritional needs while reducing the surplus of food products grown by American farmers, the Chairman asked us to collect information on the

food assistance programs of other nations. We agreed to review the domestic food assistance programs of France, Great Britain, Ireland and West Germany and the EC-wide programs sponsored by the EC in order to answer the following questions for the Committee:

- What food assistance programs do the EC and each nation have, and how do they operate?
- Do the EC and each nation use their agricultural surpluses in food assistance programs to reduce welfare costs?
- Do the EC and each nation employ any surplus disposal techniques in ways that do not improve the nutrition of EC citizens?

To answer these questions, we reviewed available literature on the EC and each nation's domestic food assistance and income maintenance programs, discussed these programs with U.S. Departments of Agriculture and Commerce officials and academics and nutritionists in the United States and abroad, and interviewed officials in each nation's department of agriculture and social welfare. We also interviewed legislative branch officials, officers of charitable organizations, and officials of the EC. We conducted our work primarily in Paris, London, Dublin, Bonn, Brussels, and Washington, D.C. Because our intention was to develop information on government programs, we did not conduct extensive inquiries into private sector programs. Our work was conducted between September and December 1987.

Because we agreed to provide the Committee with a report in early 1988, we relied on data provided by the governments that we visited. We did not independently verify the accuracy of these data, although we did discuss them with cognizant spokesmen holding varying points of view. Because the EC and the nations that we visited collected data in a variety of formats, the information we obtained was not completely consistent among countries. Furthermore, in some cases we interviewed officials and translated documents written in foreign languages, a process that always introduces the possibility of misunderstanding. To control for misunderstandings, we submitted draft sections of this report to each nation that we visited for its informal review and comment and amended this report accordingly.

# The European Community's Food Assistance and Surplus Disposal Programs

The EC is the primary sponsor of domestic food assistance programs, called "schemes," for its member nations. Like the United States' programs, the EC's food assistance programs have two goals: assisting the needy and disposing of agricultural surpluses. Since the 1970s, the EC has operated 13 programs directed at increasing consumption.<sup>1</sup> Ten of these are food assistance programs that benefited EC members. Of these, four were intended to help the needy. Six other programs did not directly target the needy, but focused instead on disposing of surpluses and increasing consumption throughout the EC. The final three programs emphasized surplus disposal and by design were not intended to directly benefit EC citizens.

## EC Food Assistance Programs

The EC has managed or is currently managing 10 food assistance schemes. These schemes accomplish a number of objectives, including generating favorable public reaction to food giveaways, assisting the needy, developing future markets, and reducing current surpluses. Dating from the 1970s, the majority of these programs are subsidies available to consumers for purchasing beef, veal, or dairy products, not the direct distribution of commodities to individuals. Each of the programs, and a summary of the participation of each country we visited, is described in the following section.

At the EC level these programs are managed by the EC Commission according to a set of EC regulations. Implementation at the national level is accomplished through EC offices called "intervention boards," which are typically located within the agricultural departments of the member nations. While member nations have been required to participate in some schemes, other programs have been optional. Mandatory programs have generally been operated when it would have been costly to dispose of large surpluses outside of the EC.

According to national and EC officials, the food assistance programs have had limited effectiveness in disposing of surpluses while also assisting the needy. They told us that these programs are not meant to be a significant effort to link surplus disposal to welfare policy. They cited two principal reasons for this: (1) member nations have not ceded to the EC significant authority in the realm of social welfare, and (2) large-scale surplus distribution programs would further distort an

<sup>1</sup>Because many EC programs have been temporary, the EC officials with whom we spoke believe that the EC may have run more programs in the past than we describe in this report; they were not, however, able to provide details on any of these past programs. They stated that our discussion of EC programs does not omit any significant schemes.



already unbalanced commodities market. Rather, according to these officials, the schemes represent an EC "gesture" of opening up its food surpluses to certain consumer, needy, or other interest groups.

Under EC food assistance programs, no single definition of needy exists, and no minimum nutritional standards are set. Each nation is free to apply its own definition of need when administering a program. Generally, nations recognize the needy as individuals eligible for some type of means-tested social assistance (welfare) payment from the government. In some member nations, pensioners (social security recipients) have been included in the definition of needy, without regard to means testing. The food that is distributed or subsidized in food assistance programs is selected because it has been overproduced and not because it meets any specific nutritional need of, or is the most healthful product that can be supplied to, the target population.

### Schemes That Focus on the Needy

Four schemes that presently exist within the EC are intended to benefit the needy. They dispose annually of relatively small amounts of food, reflecting their intention to focus the programs on helping the needy. The following is a discussion of each of these four efforts.

One scheme, a beef and veal subsidy, began in 1979. Under EC regulations member nations have the option of authorizing certified welfare institutions, such as charities, to purchase beef and veal from surplus stocks acquired by the EC at intervention prices, which are higher than world market prices. Purchases made under this program are at a fixed, subsidized price well below the intervention price. In 1985-86, the subsidy was about half of the intervention price. Each nation is required to maintain a list of certified institutions and to issue and endorse certificates authorizing and certifying the subsidized purchases. Beef and veal purchased under this program must be used in prepared meals.

The program is small by quantity and cost measures. Belgium, France, Greece, and Italy have implemented the program, which cost the EC about \$15.8 million in 1985. In recent years, Italy has distributed about 6,615 tons annually, and France, about 110 tons annually. No figures were available on the quantities used by Belgium and Greece, which have only recently implemented the program. This scheme accounts for less than one-thousandth of the EC member nations' total annual beef/veal consumption of about 7 million tons. EC officials believed that the program's small size has four causes: (1) it is an optional scheme; (2) it may not be widely known in the member nations; (3) the stocks are held

in bulk form in cold storage, requiring thawing, cutting, and/or processing before use; and (4) the EC has narrowly targeted the program to the needy to avoid disrupting the retail market.

A second scheme provides free fruit and vegetables to school children, without regard to need; individuals facing hardship; prisons; hospitals; homes for the elderly; and charitable organizations. The scheme began in 1972, although EC surplus fruit and vegetables were distributed free to nonprofit organizations as early as 1967.

Under this mandatory program, certain fruits and vegetables are withheld from the market by producers when the market price is below the minimum price established by the EC. For fruits and vegetables this minimum price is called the "withdrawal price." Member nations compensate producers by paying them the withdrawal price. Producers then must destroy the perishable commodity, process it, or attempt expeditious free distribution to the participating groups and institutions. EC regulations require member states to ensure that retail product sales to targeted groups are not displaced by the distribution of the free items.

In practice, according to national and EC officials, most fruits and vegetables are destroyed. Specifically, about a third are used as animal feed, about 5 percent, on average, are distributed to the needy, and the remainder are destroyed. Further, the quantity of commodities available for food assistance varies widely from year to year. (See table 2.1 for the percentage and tonnage of withheld fruits and vegetables that are distributed as food assistance.)

**Chapter 2**  
**The European Community's Food Assistance**  
**and Surplus Disposal Programs**

**Table 2.1: Amount of Withheld Fruits and Vegetables Used as Food Assistance by EC Member Nations**

Amount used annually (in short tons)		
Commodity	Amount used annually	Percentage of withheld crop
Apples	11,025–16,535	1–54
Apricots	110	N/A
Cauliflower	330–660	1–4
Eggplants	35–165	about 100
Lemons	1,320–5,510	1–4
Mandarins	8,820–13,230	5–40
Oranges	11,025–22,045	N/A
Peaches	1,655	3–7
Pears	4,410–8,820	2–7
Tomatoes	2,205–5,510	2–7
	41–74,000 (Total range)	about 5 (Average percentage)

N/A—Not available

Source: European Community, Green Europe, EC Newsletter 215.

The withdrawal program costs the EC about \$374 million annually. The value of commodities actually distributed to the needy is about \$18 million, with an additional \$24 million spent by the EC for processing, packing, and transportation costs.

A third program that focuses on the needy is a butter subsidy for people receiving social welfare assistance. This is an optional scheme that was reinstated in 1978 based on an earlier one-time measure. The program authorizes nations to issue vouchers to persons receiving social welfare assistance to purchase butter at reduced prices at their retail stores. Recipients of benefits under the Irish Supplementary Welfare Allowance Program, for example, qualify to receive EC subsidized butter. The EC subsidizes this butter at the rate of about \$61 per 220 pounds. According to EC records, about 6,500 tons of butter, at a cost to the EC of about \$4.3 million, were subsidized under the program in 1985.

Only Ireland has implemented this program. Some EC and national officials told us that the program is not used in other countries because of the administrative burden and cost of record-keeping. As a result, the EC Commission has proposed to the EC Council that a higher subsidy and a broader target group be designated in order to encourage participation. Other officials said, however, that the voucher system is not a popular scheme because it stigmatizes recipients, who must redeem the

vouchers at a local store, thereby identifying themselves as welfare recipients.

The fourth program targeted at the needy began in 1987 as a winter emergency free food program. The scheme, which was the largest food-for-welfare distribution effort undertaken by the EC, was compulsory for all EC member nations. It generally ran from late January through March 1987, in response to the exceptionally cold winter, in an attempt to help the poorest sections of the population who, it was believed, suffered the most from the cold. No uniform eligibility criteria were established for this scheme; each member nation was able to define its program beneficiaries.

The requirements concerning food distribution were similarly flexible for the program. No limits were set on the amount of food that was available; rather, member nations could supply all that was needed by the targeted beneficiaries during the 2-month program. Foods delivered to the needy included both intervention stocks (beef, butter, fish, and vegetables) and open market stocks (butter, yogurt, cheese, and milk). All of the food, except beef, was furnished in packaged form. Some of the beef was canned, but most was furnished to the needy as part of prepared meals.

The food was distributed in several ways by charitable organizations certified by the member nations. In Ireland, for instance, the Society of St. Vincent de Paul distributed food parcels to the needy at their homes in the evening in order to reduce the stigma attached to accepting food. In Britain people received free food by lining up outside centers that were run by the Salvation Army and other organizations.

Thousands of tons of commodities, at a cost of about \$190 million to the EC, were distributed through the program, with the proportions and types of commodities varying among nations. For example, Britain distributed considerably more butter and Ireland more beef per capita than other member nations. Of the total cost \$178.5 million was for food and \$11.3 million was for transportation and packaging. About 75 percent of the total cost was for dairy products. Over \$81.8 million in food, or 46 percent of the total value of commodities distributed in the program, went to Britain.

According to EC officials, the program was implemented with varying degrees of success by the member nations. Some countries—such as France, which already had a national winter food assistance program—

were able to implement the program rapidly, while other nations required more time to establish distribution procedures. Some member nations were able to apply the program effectively on a nationwide basis, but others were not similarly successful because the charitable agencies that distributed the food did not have offices located throughout the country.

The degree of displacement and substitution experienced by the countries also varied.<sup>2</sup> While the EC has insufficient information to calculate the actual degree of displacement, EC officials believe that a high degree of both displacement and substitution took place in some countries for some commodities that were distributed from intervention supplies. An undetermined amount of market displacement of butter occurred in Britain, while in other nations, such as Ireland, no such displacement was evident. According to British officials, retail sales of butter and margarine dropped significantly while the program was in effect and for a short time afterward. British dairy council officials believe that because of the imprecise definition of "needy," many British pensioners received free butter whether or not they were needy.

For other commodities, retail sales were not displaced because the food that was distributed was purchased on the open market with EC funds. In Ireland, for example, all commodities except beef, which was drawn from intervention supplies, were purchased from the retail market. For some commodities retail sales may have increased. For instance, milk purchased on the retail market was delivered to the needy's door by the established retail home delivery system; this distribution may have increased retail sales.

EC officials believe that although, on the whole, the winter emergency free food program was very successful in achieving its objective of helping the needy, it did not have a long-term impact on commodity markets. Over the 2 months of the scheme, only about 22,050 tons of surplus butter and 13,230 tons of surplus beef were given out. Thus, the program had little effect on EC surplus levels, which at the time included 1.4 million tons of butter and 740,000 tons of beef. However, the program's focus was not principally surplus disposal.

<sup>2</sup>Displacement occurs when a free commodity is consumed instead of the same commodity that would have been purchased on the retail market. Substitution occurs when a free commodity is consumed instead of a similar commodity that would have been purchased on the retail market, as when free butter is substituted for retail margarine.

In mid-December 1987, with strong public approval, the Council of Ministers approved regulations establishing a permanent free food program for the needy. The program is expected to become operational in the first quarter of 1988. The new program differs from the previous emergency program in several ways. First, it is a permanent, year-round program. Also, participation by member nations is optional. Specific budget and commodity allocations are made for each participating member, and only intervention supplies can be distributed. Finally, a maximum cost for commodities and transportation was set by the EC at \$130 million.

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### Schemes That Focus on Surplus Disposal

Six EC schemes that presently exist or have recently existed focus more on building future markets and disposing of surpluses than on assisting the needy. Some of these programs undoubtedly have been used by disadvantaged persons, but their social welfare function has been clearly secondary to these other purposes. In some cases, in fact, the target population has been the entire EC population.

All of the programs involve milk or milk products, and all have disposed of thousands of tons of commodities—and, in one or two cases, hundreds of thousands of tons. However, according to EC and national officials, some of these schemes have displaced retail market sales and therefore have not effectively disposed of food surpluses.

One surplus disposal scheme, a general consumer butter subsidy introduced in 1977, allowed all EC citizens to purchase butter at a subsidized price. The purpose of the program was to offset the rise in food prices that countries experienced upon joining the EC, when the new member nation began paying the higher intervention prices rather than the lower world market prices previously paid. This optional program was available only to acceding countries, and the subsidy was gradually reduced as the new member made its transition into the EC. The program was used extensively by Britain, Ireland, Denmark, and Luxembourg.

EC officials told us that the effectiveness of the program was mixed. It was an important financial aid to consumers. It also increased the consumer base for EC butter, since the subsidy made EC butter cheaper to purchase than imported butter, which is sold at intervention prices. The EC has estimated, however, that the scheme increased annual consumer sales of butter only 22,000 to 33,000 tons, with the consumer ultimately bearing the cost through the higher taxes required to support the common agricultural policy. The program cost the EC about \$16.7 million per year until EC funding was discontinued in May 1985.

A second scheme aimed at surplus disposal is subsidized butter sales to nonprofit institutions, including prisons, hospitals, and schools, as well as charitable organizations serving the needy. Begun in 1972, the program is optional, although all member nations except Greece have implemented it. Under EC regulations, member nations may sell either intervention or open market butter to selected institutions at prices fixed well below the EC intervention price. For example, for 1985-86 the subsidy was about \$131.90 per 220 pounds on an intervention price of \$239.00.

Institutions apply to the national intervention board for certificates entitling them to monthly butter supplies at the subsidized prices. Packers distribute the butter to institutions and are given a receipt for the delivered amount. They then use the receipt to claim their subsidies directly from the intervention board. In 1985, about 41,480 tons of butter were subsidized at a cost to the EC of about \$46.6 million. According to an EC Commission official, this scheme has been very efficient in that the institutions buy butter they would not have bought at higher prices. Thus, according to the Commission official, displacement of market sales is avoided.

Another optional scheme for surplus disposal, which also began in 1972, is the subsidized butter sales to armed forces of member nations. Butter purchased under this scheme goes to all members of the armed forces, not just the needy. Under EC regulations, fresh or surplus butter may be made available to the armed forces at substantial subsidies (the same subsidy level as for sales to nonprofit institutions). At various times all member nations except Greece have participated, and most still do. However, British officials told us that their government no longer participates because it believes that the program does not increase butter consumption. According to these officials, butter purchased in Britain under this program displaces retail butter sales, transfers a cost from one budget item to another, and does nothing to reduce EC surpluses. In 1985, the EC subsidized about 8,820 tons of butter (while it generated more than 440,000 tons of surplus butter), at a cost of about \$10.3 million. The EC plans to continue this scheme.

The fourth surplus disposal scheme is for subsidizing school milk and milk products. Although the current 5-year EC program began in 1983, member nations had had their own school milk programs for many years, some dating from before World War II. This compulsory program for EC members provides subsidized milk to all children in nursery school through high school. Although the needy are clearly aided by the

program, its focus is on consumer education, with the principal goal being to develop a taste for milk in a new generation of consumers.

The scheme supplies whole milk, semiskimmed milk, buttermilk, yogurt, and cheese to schools. Schools pay their supplying dairy only the subsidized price for milk and milk products. The dairy, in turn, applies to the intervention board to collect the subsidy. Funding for the program comes from a "coresponsibility levy," a penalty charged dairy farmers for overproduction. The scheme is centrally administered by the EC with a subsidy, which covers the cost of packaging, set at 125 percent of the EC's annual milk target price.<sup>3</sup> In 1985-86, this price was about \$36.50 per 220 pounds.

As participation in the program increased, so have the cost and extent of surplus disposal. The program has expanded to include previously unserved secondary schools. EC officials stated that this is the main reason that EC subsidies grew from \$80.1 million in 1983 to \$107.7 million in 1985. In 1985 about 330,690 tons of milk and milk products were consumed by schools under this scheme.

Under another surplus disposal scheme, the EC has sold surplus butter at Christmas time at subsidized prices. This has been a mandatory scheme that has been used on five occasions since 1977, most recently in 1984-85. Its main purpose has been to promote consumption of butter by the general population at times of large butter surpluses; thus, all EC citizens could purchase butter at subsidized prices. However, because butter was subsidized at 50 percent of its intervention price, the disadvantaged population has undoubtedly been helped by the scheme. In 1984-85, about 221,000 tons of butter were sold during the scheme, 84 percent of which came from intervention stocks. Principal users were France, Great Britain, West Germany, and Italy.

The program may not be operated again because of certain problems. National officials told us that it was not surprising that, given the universal eligibility to buy butter at a reduced price, the scheme resulted in very high displacement of retail butter sales. (Similar problems with displacement of retail sales have been encountered by the United States in its own Temporary Emergency Food Assistance Program, which distributed commodities to the needy.) EC and national officials that we contacted were in agreement that the scheme was expensive, in terms of the

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<sup>3</sup>The "target price" is the minimum price producers are to receive for their product. Target prices are set by the EC and currently cover edible grains, sugar, milk, olive oil, rape seeds, and sunflower seeds.



cost per ton of increased consumption, and inefficient because displaced butter was purchased by the EC and placed in intervention stocks.

The final surplus disposal scheme is the "Berlin Butter" program. Similar to the Christmas butter program in its purpose and results, the scheme was a test of two-for-one pricing of butter. Berlin, Germany, was chosen as a test location because it is geographically isolated. If the program was successful, EC-wide implementation was contemplated. About 2,000 tons of butter were disposed of at half price during May and June 1985. The cost to the EC was \$2.2 million, plus additional costs for handling and advertising. The scheme resulted in considerable displacement of retail sales, did not significantly increase butter consumption, and was judged too expensive, considering the amount of additional butter consumed. This program was a one-time test that is not expected to be implemented EC-wide.

## Summary of National Participation

Because many of the food assistance programs discussed above are or were optional, and some members were not eligible to participate in others, participation varied widely among the nations we visited. Table 2.2 depicts the participation in the 10 programs by the 4 nations we visited.

**Table 2.2: National Participation in EC Food Assistance Schemes**

Program	Type of participation			
	France	Britain	Ireland	Germany
1. Beef and veal subsidy	O	•	•	•
2. Free fruit and vegetables	M	M	M	M
3. Subsidized butter sales to social assistance recipients	•	•	O	•
4. Emergency free food program of 1987	M	M	M	M
5. General consumer butter subsidy	NE	O	O	NE
6. Subsidized butter sales to nonprofit institutions	O	O	O	O
7. Subsidized butter sales to the armed forces	O	•	O	O
8. Subsidized school milk	M	M	M	M
9. Christmas butter	M	M	M	M
10. Berlin butter	NE	NE	NE	O

M—Mandatory program  
O—Optional program  
NE—Not eligible for program

## Surplus Disposal Programs That Do Not Improve the Nutrition of EC Citizens

In addition to the programs described above that assist needy EC citizens either directly or indirectly as part of surplus disposal efforts, the EC disposes of some of its agricultural surplus in ways that do not improve the nutritional status of EC citizens. It does this through three programs: (1) supplying some surplus to third world nations; (2) disposing of the surplus by mixing it with animal feed; and (3) making major concessionary sales to the Soviet Union.

Under the first of these three programs, the EC has provided food products to a large number of developing nations. The primary commodities in the program are edible grains, butter oil, and skim-milk powder. (See table 2.3.) According to EC officials, of the food aid that developing nations receive, 75 percent of their skim-milk powder and 100 percent their of butter oil is from the EC. It also provides sugar, vegetable oil, dried fish, and red beans. This aid, which is either granted directly or given through aid agencies such as the United Nation's Food and Agriculture Organization and the World Food Program, has totaled nearly \$3.17 billion in commodities and distribution costs since 1981. In 1986, the latest year for which figures were available, the EC allocated about \$404 million in commodities and \$114 million in distribution costs, about 1.5 percent of its budget, for food aid to developing countries.

**Table 2.3: EC Food Aid to Developing Nations, 1980-1986**

(tons in thousands)							
Commodity	1980	1981	1982	1983	1984	1985	1986
Edible grains	748	1020	930	757	1659	1199	1031
Butter oil	54	52	48	17	55	37	28
Skim-milk powder	187	184	174	82	191	163	100
Sugar	7	6	8	6	<sup>a</sup>	11	4
Other	0	16	21	16	40	41	26

<sup>a</sup>Less than 500 short tons.

Source: European Community, Financial Report on the European Guidance and Guarantee Fund, eleventh through sixteenth reports.

The Council of Ministers has stated that a constant increase in food aid to the third world is not a good solution to the surplus disposal problem, according to EC headquarters officials. Apart from cases of emergency, in its opinion, such a handout program serves only to discourage local production in the developing nations. For this reason, except in the case of famine relief, the EC expects to maintain its international gifts of food at current levels.

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**Chapter 2**  
**The European Community's Food Assistance**  
**and Surplus Disposal Programs**

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The second disposal technique that does not directly improve the nutrition of EC citizens involves mixing surpluses with animal feed. This program began in 1977 with the disposal of skim-milk powder in animal feed. From 1984 through 1986, the last 3 years for which data are available, 737,400 tons of skim-milk powder were mixed with animal feed. Beginning in 1986, the EC allowed intervention butter to be mixed with animal feed; during that year 14,100 tons of butter were disposed of in this fashion.

The third surplus disposal method involves the sale of significant quantities of butter to the Soviet Union at concessionary prices. The most recent sale took place in two stages in 1987. In the spring 330,000 tons were sold, and in November an additional 220,000 tons were sold. EC officials told us that the sales prices are confidential. According to agricultural and intervention office officials in one of the nations that we visited, the price the EC received was a few cents per pound. They said that such sales at concessionary prices are not popular with EC citizens, who pay much higher prices for the butter they consume.

# National Food Assistance Programs

National programs aimed specifically at food assistance are not extensive in the four EC countries that we visited. The relative scarcity of programs directed at meeting the nutritional needs of citizens exists by design rather than oversight. Generally, European nations prefer to redistribute income to the needy—which the recipients can then budget as they deem appropriate—rather than distribute commodities, provide in-kind benefits, or supply vouchers for food items. Officials of several of the nations we contacted told us that distribution of surplus commodities to the needy was considered demeaning and offensive to the recipients. This belief has played a major role in restricting the size and number of national programs, so that the national food assistance programs that do exist are generally small and serve only to supplement other cash benefit programs. Where figures were available concerning the cost of food assistance and cash benefit programs, we have included them in the report. Both the direct food assistance programs and the principal cash benefit programs operated in France, Britain, Ireland, and West Germany are described below.

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## Domestic Food Assistance in France

France is a founding member of the EC and the second leading contributor to its budget. Its population of about 55.2 million makes it the EC's fourth most populated country. Of France's 20.9 million civilian labor force, about 7.6 percent are engaged in agriculture. With this work force, and an area of about 210,000 square miles, which is four-fifths the size of Texas, France has become one of the EC's leading agricultural powers. France produces 23 percent of the EC's annual agricultural production. It is a major producer of dairy products, wheat and other grains, beef, wine, fruit, and vegetables.

France provides its needy citizens with cash payments, as well as direct food assistance. The food assistance programs operated by the government are supplemented by programs run by the private sector. The following section presents these programs in detail.

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## Cash Benefit Programs

According to French officials, because of fiscal constraints and the government's goal of discouraging dependency, French cash benefit programs are not as comprehensive or as generous as in some other nations, such as West Germany (German assistance programs are described later in this chapter). The two most important cash benefit programs are the Family Benefit and Single Parent Allowance. France also has a workfare program that includes cash benefits.

The most important of the French cash benefit programs is the Family Benefit. Under this program benefits are provided to all families with two or more children; no means test is required. Funded by a 9 percent employer-paid tax on gross earnings, this allowance provides monthly benefits of \$120.50 for two children, \$214.55 for three children, \$335.05 for four children, and \$120.50 for each additional child.

The second most significant cash assistance program, the Single Parent Allowance, provides a supplemental income that varies with the income of the recipient. Unmarried, divorced, widowed, and separated women who are pregnant or are the sole source of support for one or more children and meet a monthly income test qualify for this benefit. The monthly benefit for a pregnant mother with no children, for example, is about \$445, minus any income she receives from other sources.

A third French program is offered under the umbrella of France's anti-poverty program. According to French officials, France seeks to ensure that all of its citizens have an adequate income while, at the same time, giving social assistance recipients productive work to do. The French antipoverty program, which began in 1984, combines elements of income maintenance, work, education, housing, and health care into a unified approach that seeks to reintegrate the poor into society. As part of this program, in 1986, the French initiated a workfare scheme that provides a job to the unemployed and cash benefits of about \$367 per month.

## Food Assistance Programs

Food assistance is an adjunct, albeit a minor one, to the French cash benefit programs, according to French officials. The French government's policy is to ensure that food assistance is part of a comprehensive effort to reintegrate the needy into society and not an act that will cultivate their dependency.

Food assistance programs in France consist of two types: those administered by the government and those administered by the private sector. Both kinds of programs are national in scope. The existence of the private programs allows the government to reduce its involvement in food assistance to less than what might otherwise be needed. Government programs have provided free food for the needy during the winter (a program adopted by the EC), potatoes for charities, and subsidized lunches for school children. Religious and secular charities have also furnished assistance through such initiatives as food banks and "restaurants of the heart."

## French Government Programs

France's food assistance program is limited for at least three reasons. First, although France has a sizeable needy population, we were told by French officials that the government does not believe that this segment is large enough or deprived enough to use significant amounts of surplus commodities without displacing the retail market. Second, as an EC member, France implements most of its food assistance through EC regulations. Finally, French officials told us it is not possible to link EC surplus disposal policy to meeting the nutritional needs of the poor in any substantial way. Within these constraints, France has implemented some small national programs that seek to aid the needy. French food assistance is often a cooperative endeavor between the government and private charities. The programs that existed at the time of our review, or had recently existed, are described below.

Since 1984 France has had three free food schemes in the winter time. These programs involved housing the homeless and assisting the needy in paying utility bills, as well as providing food. The 1984-85 and 1985-86 programs were initiated, financed, and sponsored by the French government. The third, in the winter of 1986-87, began as a French program but became an EC program in January 1987 with the implementation of the EC-wide emergency free food program, which is discussed in chapter 2.

The program has taken various forms. In the 1984-85 program, for example, the government bought food and turned it over to charities to distribute. In the 1985-86 program, the government funded the program but used charitable organizations to manage its implementation. The charitable organizations used a number of means to aid the hungry, including (1) purchasing commodities locally and providing them in foodstuff packages distributed to the needy, (2) providing money directly to people to be used in purchasing their own food, (3) providing purchase vouchers and student canteen meal tickets to needy students, and (4) catering meals in centers for the homeless.

Food assistance accounted for \$21 million of the \$50 million that France spent on the 1984-85 program and \$19 million of the \$63 million that it spent on the 1985-86 program. The remaining money was spent on housing the homeless and assisting the needy with utility bills. Although no information was available to us on the number of beneficiaries of the 1984-85 program, the French Ministry of Social Affairs estimates that about 650,000 people benefited from the 1985-86 program. France had

planned a national program for the winter of 1987-88 but a French official told us that France will now participate in the recently announced EC program rather than implement a separate scheme.

Another national program provides surplus potatoes for charitable use. Potatoes are not covered by the EC's CAP, so the French are free to distribute this crop in any manner they wish. Following the model of the EC fruit and vegetable program, the French government pays farmers for potatoes that they do not market. These potatoes are made available to charities, which provide them to the hungry. We could not obtain data on the cost or number of people benefiting from this program, but a French official told us that the program was extremely small.

Finally, while no formal national program exists, some local governments subsidize school lunch programs using funds allocated to them by the national government. According to a French official, funds spent for school meals are very modest because the federal government believes that there is little need for such programs since all French parents receive family benefits. Family benefits are based on the number of children a family has, whether or not they are needy, and part of these benefits are specifically designated for food for school children. As a consequence, subsidized school lunches, which are not required to meet any nutritional goals, are most common in localities where significant need exists, generally because of high unemployment or large numbers of striking workers. Because of the indirect nature of federal school meal support, we were not able to estimate a dollar value for this program.

#### Private Sector Food Assistance

French officials told us that private sector initiatives by religious and secular charities are a major part of French food assistance. Two such initiatives are food banks and "restaurants of the heart."

French food banks are an extension of a U.S. idea that originated with private charitable groups in Arizona in the 1960s. French food banks began in 1984 and now number 40. They act as collectors, warehouse, and distributors of food gifts. Staffed by volunteers, the banks pursue sources of food donations, such as stores, wholesalers, and distributors. Through this central effort they reduce the time individual charities spend on this task. Food banks distribute food to any qualified group or organization in France that provides support to the hungry. Food is given out in three forms: (1) meals given in welcoming centers or on the streets, (2) meals shared with volunteers in parish premises, and (3)

parcels given to families. The food banks work closely with other French charities.

“Restaurants of the heart” were begun in 1984 by a prominent French show business personality. Operated only during the winter months, they qualify as one of the charities to which the food banks distribute food. These restaurants were set up to deal with the new poor, the recently unemployed. The theory behind these restaurants is that the new poor, as formerly and recently self-sufficient members of society, were too ashamed to go to traditional charities such as the Salvation Army for help, but would go to “restaurants of the heart.” The restaurants are staffed by volunteers who serve hot meals or distribute food baskets. The restaurants have been popular and apparently successful; we were, however, unable to obtain national data on the volume of food distributed or the number of persons aided by these restaurants.

## Domestic Food Assistance in Great Britain

Britain, formally called the United Kingdom of Great Britain and Northern Ireland, governs Scotland, Wales, and Northern Ireland and has a population of about 56.6 million. Of the civilian work force of 24.2 million in 1985, 2.6 percent were employed in agriculture. This is the lowest percentage of agricultural employment of any EC member. (The U.S. agricultural employment during the same time period was 3.1 percent.) British agriculture produces surpluses of a number of commodities, especially fresh fruit, vegetables, and wine. Except for wine, these are not commodities that the EC has great surpluses of.

Britain provides cash assistance and food assistance programs, both of which owe their present-day shape to Britain's history. From the 1600s until the twentieth century, the poor in Britain received public assistance in accordance with the “Poor Laws,” which relegated debtors to prison and the poor to institutions. The legacy of these laws is profound, for today the prevailing British sentiment is that assistance programs should aid the poor without diminishing their dignity or restricting their freedom. From this emphasis comes the British preference for assisting the needy through cash benefits. Britain provides cash payments through two principal programs, the Supplementary Benefit and the Family Income Supplement programs. It also has some food assistance programs but, because of the stigma attached to this kind of aid, the programs are limited.



## Cash Benefit Programs

The principal means for assisting the needy is the distribution of cash, through the post office, by the Department of Health and Social Security. The benefit levels, which were established in order to determine eligibility standards, were once based on an attempt to quantify the minimum needs of a citizen. This was done after World War II by a commission headed by Lord William Beveridge. Over the years the needs assessment quantified by the Beveridge commission has been periodically adjusted by the government. These adjustments are based not on the cost of achieving a recommended dietary standard nor on cost-of-living increases, but on what the government considers to be adequate and affordable allowances.

Some programs are now being curtailed, as the British government seeks ways to economize on social spending. Specifically, some federal welfare programs are being eliminated, and responsibility for others is being transferred to local governments. Currently, two principal cash benefits programs are in operation.

First, Britain provides cash payments through its Supplementary Benefit Program. This is a weekly cash benefit for people age 16 and over who are not working and who qualify for the benefit on the basis of means and asset tests. It is a taxable benefit that can be provided in addition to other benefits, including an unemployment benefit. It is not available to families with more than about \$5,000 in savings.<sup>1</sup> Currently 1.8 million pensioners, 2.1 million unemployed people, and 1 million others receive benefits under this program, at an annual cost of \$13.4 billion a year. The maximum benefits listed in table 3.1 apply to persons with no income and are reduced as income rises.

**Table 3.1: Examples of Maximum Weekly Supplementary Benefit Levels**

Household composition	Maximum benefit <sup>a</sup>
2 adults, no children	\$82.40
2 adults, 1 child age 18 or older	123.10
2 adults, 1 child age 16 or 17	113.70
2 adults, 1 child age 11-15	108.50
2 adults, 1 child under age 11	99.80

<sup>a</sup>Maximum benefit figures are rounded to the nearest 10 cents.

Source: British Department of Health and Social Security, October 1987.

<sup>1</sup>Monetary figures for this section of the report were collected in British Pounds Sterling. We have converted these figures to U.S. dollars using the recent exchange rate of 1 pound equals \$1.67 U.S.

These amounts are intended to cover normal living expenses, including food. Extra amounts may be available for heating and other needs. When recipients have received benefits for one year, they become eligible for a slightly higher, long-term assistance rate. The benefit for a couple receiving this rate is about \$103.30, an increase of about \$20.90. The British government does not recognize a certain amount as a "food allowance" component of the Supplementary Benefit. Nor does it use a dietary standard in determining if the Supplementary Benefit level is adequate. Government officials, however, estimate that the food component of this benefit is \$19.40 per person per week. Further, the children of families that receive this benefit automatically qualify for free school meals.

In April 1988 a new Income Support Program is scheduled to replace the Supplementary Benefit Program. A British government official told us that families who qualify for benefits under the Supplementary Benefit Program will qualify for benefits under the Income Support Program. Benefits under the new program will be less generous and, over time, less costly to the British government, according to British officials.

A second source of cash benefits is the Family Income Supplement. This is a tax-free weekly cash payment for people employed full time (defined as at least 30 hours per week or 24 hours per week for single parents) who are responsible for raising children and meet an income means test. The current maximum weekly household income to qualify for the program is \$148.30, plus an allowance for each child that varies from about \$19.90 to \$23.40 per child, depending on the age of the child. Maximum weekly benefits are about \$38.80, plus \$4.30 to \$6.10 per child, depending on age. People receiving this benefit currently qualify for free school meals, but will not as of April 1, 1988, when the program is restructured and renamed the Family Credit Group. Currently, 210,000 individuals receive benefits from of this program, at a cost of about \$247.2 million annually.

## Food Assistance Programs

In addition to direct cash benefits, eligible persons can participate in five food assistance programs. In general, the programs do not focus on nutrition in that no dietary standards or goals exist in any of the programs. Further, the programs are limited, compared to the cash benefits programs, because of the stigma attached to them.

The first of these programs, which is called "welfare milk," provides free milk and vitamins to participants. This program is scheduled to be

cut back April 1, 1988. As presently configured, its target population is needy pregnant women and breastfeeding mothers and their children under age 5; "needy," for the purposes of this program, refers to families receiving Supplementary Benefit or Family Income Supplement payments. It gives each recipient tokens good for seven free pints of milk per week. Since home milk delivery is still common in Britain, these tokens can be redeemed discretely, without incurring a stigma. The tokens also can be redeemed in grocery stores. Babies under 1 year of age are entitled to 32 ounces of dry infant formula per week in lieu of the whole milk. Mothers get free vitamins while they are pregnant, and children are given free vitamin drops until age 5.

The second British food assistance program has its roots in the late nineteenth century, when a privately funded project provided free school meals to needy children. "School meals" became a British government program in 1906 and by the end of World War II was serving almost 2 million children daily. Unlike the U.S. school meals program, in which school meals are provided free, at a reduced price, or at full price based on a family's ability to pay, school meals are either free or full-priced in the British system. In 1964 eligibility criteria for free school meals were made uniform throughout Britain, establishing receipt of social assistance benefits as the qualifying factor. After the British government determined, in 1966, that only half of the families eligible for free meals were accepting them, it implemented a program to increase participation by eliminating administrative procedures that publicly identified recipients of free meals. The program, according to British officials, was largely successful in raising the participation rate to 80 percent of eligible families in 1970. The British government believes that this level is being sustained and is close to the practical maximum.

Three significant changes to the British school meal program occurred in 1980. First, local governments were no longer required to offer meals to all school children. Since 1980 only those entitled to free meals, currently those receiving the Supplementary Benefit or Family Income Supplement, have to be offered a school meal. Second, central government nutritional standards for school meals were removed. Finally, local governments were given the authority to set the meal prices charged to students purchasing school meals. Written British government statements indicate that the aim of the changes was to reduce the national subsidy by about half. In 1979, the British government spent about \$668 million on the school meal program. Because responsibility for the school meal program was transferred to local governments in 1980, the British government has not kept cost figures for the program since that date.

As a result of the 1980 changes, the price for a school lunch is now reportedly as high as \$1.09 to \$1.17 in some areas, nearly twice the previous price. The cost of a school meal was 7 cents in 1950, and increased to 42 cents in 1970, 50 cents in August 1979, and 59 cents in February 1980.

While the percentage of students receiving free school meals increased from 1974 to 1984, for the same period the percentage of students taking school meals and paying for them decreased. In 1974, 8.9 percent of students received free meals, compared with 17.4 percent in 1984. In contrast, in 1974, 70.2 percent of paying students bought their lunches at school, whereas the percentage dropped to 51.3 percent in 1984. Interestingly, this drop occurred at a time when the nutritional value of the lunches also decreased: in an effort to encourage students in the secondary schools to purchase meals in the school cafeterias, the schools began to provide, a la carte, french fries, sweets, and carbonated beverages.

Effective April 1, 1988, families now receiving the Family Income Supplement benefits, which are being renamed the Family Credit Group, will lose their entitlement to free school meals. The National Union of Public Employees has estimated that up to one-third of a million children will lose their free meal benefit because of this change.

A third food assistance program supplies free milk to preschool children in day care or nursery schools. It is not a means-tested program, and under it all children in participating institutions receive one-third pint of free milk daily. Many of the day care facilities providing milk under this program are run by local governments.

Through the Special Diet Allowance, the fourth food assistance program, people who meet a means test and require a special diet, as certified by medical authorities, are eligible to receive a monetary contribution towards the purchase of that diet. This benefit will be curtailed effective April 1, 1988. At that time, people receiving benefits under the program will retain their allowances, but no new benefits will be granted.

A final food assistance program is Meals on Wheels, which provides the needy elderly with a cooked midday meal. The meal does not have to meet any nutritional requirements. The national government has no involvement in the administration of the program but does fund the local governments which, in turn, determine the exact uses to which

these funds will be applied. Some local governments grant money or facilities to this program, which is run by volunteers.

## Domestic Food Assistance in Ireland

Ireland, formally called the Republic of Ireland, is the smallest country that we surveyed. It has a land mass of 27,000 square miles, making it slightly larger than West Virginia. Its population of about 3.6 million is the second smallest in the EC. About 189,000, or 13.8 percent of its 1.3 million civilian work force, are engaged in agriculture; this is the highest percentage of any EC nation. Because Ireland is a small country, its production is modest compared to other EC nations'. However, Ireland produces surpluses of beef/veal, butter, cheese, sugar, and pork. The EC has significant surpluses of each of these commodities, except pork.

Ireland has made extensive use of the EC food assistance programs, in part because of unemployment problems. Irish officials estimate that 17 to 20 percent of the civilian work force is unemployed, with 40 percent of the unemployed having been out of work for more than 1 year. In 1986 Ireland received nearly \$33.6 million through EC dairy schemes.<sup>2</sup> It also participated extensively in the EC's 1986-87 winter free food program, distributing high per capita amounts of milk, butter, and beef.

Ireland also provides assistance to its needy citizens through social welfare programs that distribute cash benefits directly to the recipients and through national food assistance programs, although it has few food assistance programs other than those conducted under the auspices of the EC. Ireland, like the other European nations we surveyed, prefers to provide cash benefits rather than products and services—a preference that grows out of its view that distributing food stigmatizes the recipient.

A second reason for the minimal number of government-sponsored food assistance programs is that Ireland has an active and effective charitable sector, led by the Roman Catholic Church, whose efforts free the government from operating a more extensive food assistance system. Ninety-seven percent of the Irish population is Roman Catholic, and the Church wields enormous influence in the daily life of Irish citizens. Because of the nation's small size and the Church's emphasis on charity and sharing, Ireland has a relatively large, effective, and well-organized charitable sector. Many of Ireland's charitable societies are organized

<sup>2</sup>Monetary figures for this section of the report were collected in Irish pounds. We have converted these figures to U.S. dollars using the recent exchange rate of 1 pound equals \$1.52 U.S.

along the jurisdictional lines of Catholic parishes. This charitable apparatus ministers to many of the needs of the poor. Because of the preexistence of such charities, the government operates a more limited range of assistance programs than would be needed without such an organized voluntary sector. The government's cash benefit programs, which provide needy citizens with cash to purchase food and other items, and food assistance programs are described below.

### Cash Benefit Programs

The Supplementary Welfare Allowance is a weekly cash benefit for people who meet means and asset tests and who do not qualify for social insurance benefits or who have used up their entitlement to those benefits. The maximum benefits listed in table 3.2 apply to persons with no income and are reduced as income rises.

**Table 3.2: Examples of Maximum Weekly Supplementary Welfare Allowance Benefits**

Household composition	Maximum benefit
Single adult, no children	\$51.70
Single adult, 1 child	65.20
Single adult, 2 children	79.80
2 adults, no children	89.20
2 adults, 1 child	102.00
2 adults, 2 children	116.60

These amounts are expected to cover normal living expenses, including food. The government does not recognize an amount as a "food allowance" component of the Supplementary Welfare Allowance; nor does it use an established dietary or other standard in determining if the allowance is adequate. Irish officials told us that the allowance represents what the government can afford to pay.

A second program is the Family Income Supplement, which provides a means-tested weekly cash supplement for people who are employed at least 24 hours per week and are raising children. The supplement is one-half the difference between a fixed standard and the family's weekly income. Maximum amounts that can be paid are shown in table 3.3.

**Table 3.3: Benefits Under the Family Income Supplement Program**

Number of children	Family weekly income	Maximum weekly supplement
1	under \$ 158.10	\$24.30
2	under 191.50	35.00
3	under 225.00	45.60
4	under 258.40	56.20
5	under 291.80	66.90

### Food Assistance Programs

In addition to cash benefits, Ireland provides three food assistance programs. First, it has a limited school meal program. School meals have never been a part of the Irish culture; in fact, Irish schools have no cafeterias or kitchens. Most schools are located within walking distance of the home, and students return home for lunch. Those eligible to participate in the school meal program are children in national (public) schools who, because they lack food, are unable to take full advantage of the education provided them. Meals are also available in the Gaeltacht, which is the rural, sparsely settled, Irish-speaking area in western Ireland. In this area, at local option, children eat lunch at school, usually when the long commute to school makes a trip home for lunch impractical.

When the local authority elects to provide meals, the federal government provides a 50 percent cash subsidy for the meals. The local authorities pay the other 50 percent and all the administrative costs of providing the meals. There are no minimum nutritional standards that the meals must meet. School meals generally consist of a light snack, milk, sandwich, and bun. Soup and, in some cases, full hot lunches are provided for itinerants, handicapped children, and those in deprived inner city areas. The program cost the federal government about \$948,500 in 1986. Projected 1987 costs are \$1,162,800 to serve 72,000 children. The average cost per meal is 15 cents for a cold meal and \$1.52 for a hot meal.

The second food assistance program is Meals on Wheels. The program's target population is the aged, generally women over 60 and men over 65. The program, which is often set up along the jurisdictional lines of Catholic parishes, is operated on a partnership basis by the Department of Health and voluntary associations. The Department of Health provides partial funding for approved programs, and the voluntary associations cook and deliver the meals. Data on the cost of this program were not available during our field work.

Finally, Ireland provides cooked meals for the homeless and those living in homes for the aged and needy. The meals are not required to meet any specific dietary standard. The program is administered through local governments and is relatively small. In 1986 about \$167,200 was paid to three voluntary organizations to provide the cooked meals.

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## Domestic Food Assistance in West Germany

West Germany, formally called the Federal Republic of Germany, is one of the six founding members of the EC and is the leading contributor to its budget. In 1987 Germany provided nearly \$10.07 billion (about 26 percent) of the budget. Its population of 61.1 million is the largest in the EC, and its land area of 96,000 square miles (slightly larger than Wyoming) makes it the EC's fourth largest country. Of the 25.3 million civilian work force in 1986, about 1.3 million (5.3 percent) were engaged in agriculture.

Germany produces large quantities of sugar beets, beef, milk, butter, wheat, and apples. Its greatest agricultural surpluses are milk, sugar, and beef—some of the commodities in the greatest oversupply in the EC. Although Germany does not operate a food assistance program it has a comprehensive social assistance system that takes food costs into consideration. This program is described below.

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## Cash Benefit Program

Germany has an extensive social assistance program that calculates nutrition assistance as a major component. The German social assistance system distributes financial and in-kind benefits to the needy population and some special recipient groups such as the handicapped and war widows. German health department officials said that there is an undetermined amount of poverty in the country, but official totals are lacking because no official definition of poverty has been established. According to a German Health Ministry official, in 1985, over 2 million people, or about 3 percent of the population, were receiving social assistance, with another 2 million entitled to it but not registered.

Social assistance benefits provide cash for food and other items. Local governments, in coordination with the Federal Health Ministry, have the primary responsibility for funding and administration. The assistance takes the form of a cash benefit to aid the needy when their income does not reach an established minimum subsistence level. Table 3.4 depicts



average social assistance entitlements in German state-level governments.<sup>3</sup>

**Table 3.4: Examples of Family Social Assistance Entitlements, State Government Monthly Average, 1987**

Household composition	Maximum benefit
One adult	\$244.20
One adult, 1 child under 8	353.90
One adult, 1 child age 8-11	403.00
One adult, 1 child age 12-15	427.00
One adult, 1 child age 16-21	464.20
One adult, 1 child older than 21	439.40

The minimum levels are set separately by each locality, based on a federally established "commodity basket." The commodity basket, which attempts to gauge monthly needs, consists of three partial baskets: food, household needs, and personal needs. The food category includes a list of a number of quantified items, including meats, dairy items, eggs, vegetables, oils, and sugar. The food basket price is set by a statistical process, which currently results in its value being about 13 percent below the average market price of the basket.

According to a German Health Ministry official, the commodity basket is a transitional model. It is mathematical but not entirely scientifically based, in that no assumption is made that the basket alone could supply all of the necessary social assistance for a needy individual. In addition, the present basket was calculated partly on the idea that in times of general economic constraints, social welfare recipients must be constrained in their purchases. A researcher who worked on the basket calculations said that political decisions also affected the size of the basket, as well as the social, cultural, and habitual aspects of eating.

The German social welfare system seeks to ensure a minimum living standard for all. German officials told us that the nation's social welfare system is generous and universal—all residents are eligible, if they meet certain means tests, whether or not they are citizens.

**Food Assistance Programs**

According to German officials, the government does not have nor does it have any plans to create direct food distribution programs other than those administered under EC regulations. The German government

<sup>3</sup>Monetary figures in this section were collected in Deutsche marks. They have been converted to U.S. dollars using the recent exchange rate of 1.65 Deutsche marks equals \$1 U.S.

implements the EC programs, but prefers to use financial assistance to ensure minimum social welfare for its needy population. Further, the state does not seek to be the sole provider for the individual, but provides adequate benefits only to encourage self-help and self-realization. German officials told us that commodity distributions, or handouts, are not part of this system. Commodity distributions, they believe, represent an obsolete welfare approach leading to dependency rather than independence or self-help.

#### Private Sector Food Assistance

In Germany the major religious charities are highly institutionalized and influential participants in national social welfare planning and implementation. Individual food distribution projects, run by religious organizations, exist locally in some high-unemployment areas and in urban areas with a homeless population. For example, a local food distribution service exists in Bielefeld, a depressed area in the German coal and steel country. We were told by officials of the German government and national charities that no data have been compiled and consolidated on the number and size of such projects and that their significance in Germany is minor in comparison to projects in some other EC countries.

# GAO Observations

Although the EC is the primary sponsor of food assistance programs for its member nations, its 10 programs have been small in comparison to U.S. programs and are often temporary for two principal reasons: (1) the general welfare of member nations' citizens is a national, not an EC, responsibility and (2) there are national sensitivities about stigmatizing recipients of publicly distributed surplus food. The EC's food assistance programs are not intended to meet any specific nutritional needs of recipients and are not intentionally designed to lower social assistance costs within the EC or in any of the member nations that we visited. Rather, the programs that do exist in the EC are available primarily because the EC has surpluses of certain commodities, including dairy products, edible grains, and beef.

However, according to national officials, the distribution of some surplus commodities through the EC's food assistance programs has adversely affected member nations' retail markets. For example, British officials stated that retail sales of butter and margarine dropped significantly during and immediately after some EC distribution programs, such as the winter emergency free food program. In recent years the United States has had similar concerns about the displacement of commercial food sales because of its distribution of surplus agricultural commodities to the needy under the Temporary Emergency Food Assistance Program.

Because the EC is storing large quantities of commodity surpluses and EC member nations are likely to continue to overproduce commodities in the near future, EC food assistance programs may continue to be used to reduce these surpluses. The free food program for the needy, for example, authorized in December 1987 and scheduled to be implemented in early 1988, was enacted because these surpluses exist.

In the four EC member nations that we visited—France, Great Britain, Ireland, and West Germany—cash benefits are the primary method for providing food and meeting the other needs of the poor. Generally, the nations prefer to redistribute income to the needy, which they can then budget as they deem appropriate. It is the opinion of some national officials that commodity distribution to the needy is demeaning and offensive to the recipient and represents an obsolete welfare approach leading to dependency rather than self-help.

A few national food assistance programs involve the distribution of surplus commodities, but we did not find instances in which EC member nations were intentionally using commodity surpluses to reduce welfare

costs. These programs are generally small and serve only to supplement other cash benefit programs. One such program, the school lunch program, provides cash subsidies for meals for school children. Three of the four nations that we visited, with West Germany being the exception, have national or local school lunch and milk programs. However, unlike the U.S.' school lunch program, which provides schools with cash subsidies and agricultural commodities, the EC nations that we visited do not have minimum nutritional requirements as part of their school lunch programs.

Welfare officials in the nations that we visited used very few voucher programs, and no equivalent of the U.S. Food Stamp Program existed. Although officials conceded that U.S. food stamps, which can be redeemed only for food items, are useful in helping to ensure that recipients are fed, they believed that recipients would be stigmatized by the process of redeeming the stamps. Europeans are also averse to restricting the freedom of a household to apportion its benefits according to its particular needs. For these reasons, cash benefits were the preferred method of meeting food and other needs. Nations that use vouchers do so only on a limited basis. For example, a British family with no food for a weekend might receive vouchers for food for that period until the social assistance office could process a benefit application.



# Annual Disposal Quantities and Costs for the Six Permanent EC Food Assistance Schemes

Annual usage (tons in thousands); Annual cost (millions)

<b>Program</b>	<b>Annual usage<sup>a</sup></b>	<b>Annual cost</b>
1. Beef and veal subsidy	6.7	\$15.8
2. Free fruit and vegetables	41-74	42.0
3. Subsidized butter sales to social assistance recipients	6.5	4.3
4. Subsidized butter sales to nonprofit institutions	41.5	46.6
5. Subsidized butter sales to the armed forces	8.8	10.3
6. Subsidized school milk	330.7	107.7
<b>Total</b>	<b>435-468</b>	<b>\$226.7</b>

<sup>a</sup>Rounded to nearest 100 tons.

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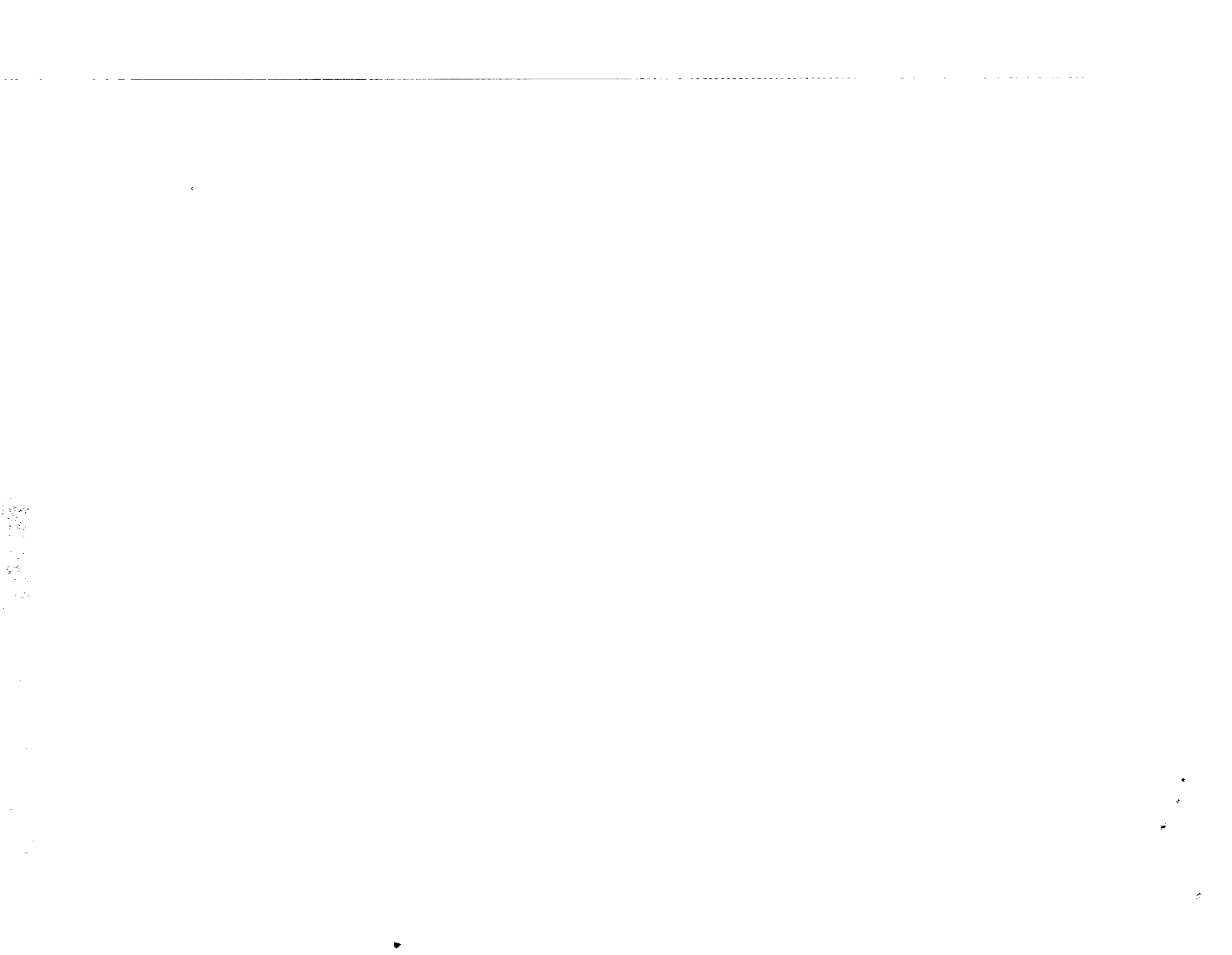
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