IMPROVING THE QUALITY AND EFFICIENCY OF COMMODITY DISTRIBUTION TO FEDERAL CHILD NUTRITION PROGRAMS

HEARING

BEFORE THE

COMMITTEE ON EDUCATION AND THE WORKFORCE U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

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IMPROVING THE QUALITY AND EFFICIENCY **COMMODITY** DISTRIBUTION OF TO FEDERAL CHILD NUTRITION PROGRAMS

Tuesday, October 7, 2003 U.S. House of Representatives Committee on Education and the Workforce Washington, DC

The Committee met, pursuant to call, at 2 p.m., in room 2175, Rayburn House Office Building, Hon. John A. Boehner (Chairman of the Committee) presiding.

Present: Representatives Boehner, Petri, McKeon, Norwood, Biggert, Tiberi, Keller, Osborne, Wilson, Kline, Carter, Kildee, Payne, Holt, McCollum, Grijalva, and Majette.
Staff Present: Julian Baer, Legislative Assistant; Kevin Frank,

Professional Staff Member; Parker Hamilton, Communications Coordinator; Kate Houston, Professional Staff Member; Sally Lovejoy, Director of Education and Human Resources Policy; Stephanie Milburn, Professional Staff Member; Deborah L. Samantar, Committee Clerk/Intern Coordinator; Denise Forte, Minority Legislative Associate/Education; Alex Nock, Minority Legislative Associate/ Education; Joe Novotny, Minority Legislative Assistant/Education; and Lynda Theil, Minority Legislative Associate/Education.
Chairman BOEHNER. A quorum being present, the Committee on

Education and the Workforce will come to order.

We are meeting today to hear testimony on Improving the Quality and Efficiency of Commodity Distribution to the Federal Child

Nutrition Programs.

Under Committee rules, opening statements are limited to the Chairman and Ranking Minority Member of the Committee. Therefore, if other members have statements, they may be included in the hearing record. And with that, I ask unanimous consent for the hearing record to remain open for 14 days to allow members' statements and other extraneous material referenced during today's hearing to be submitted in the official hearing record. Without objection, so ordered.

STATEMENT OF HON. JOHN BOEHNER, CHAIRMAN, COMMITTEE ON EDUCATION AND THE WORKFORCE

Good afternoon. Let me thank all of you for coming today, especially those of you who will serve on your panels today. This is an important hearing on Improving the Quality and Efficiency of the Commodity Distribution Program to the Federal Child Nutrition Programs. These programs are central to providing the Nation's needy children with access to safe, affordable, and nutritious food.

This marks the first Full Committee hearing to help prepare members of this Committee for the upcoming reauthorization of the Child Nutrition Act and the Richard B. Russell National School Lunch Act. There is general agreement on the importance of good nutrition for everyone, especially growing children. And while parents obviously bear the first responsibility for ensuring their children eat well and exercise regularly, programs authorized under the Child Nutrition Act and the National School Lunch Act play a positive role as well, helping to provide disadvantaged children with access to nutritious meals and snacks.

Programs such as the National School Lunch and Breakfast Programs, WIC, the Summer Food Service Program, and the Child and Adult Care Food Program are helping many of these children achieve full physical development and success in school. The Federal child nutrition programs were conceived to offer wholesome meals and snacks to children in need and to support the health of lower-income pregnant women, breastfeeding mothers, and their

young children.

These programs represent a huge national investment totaling more than \$12 billion per year. And while these programs have been generally heralded as successful, this Committee is seeking new ways to improve access to safe, healthy, and affordable meals

and to better serve all program participants.

Today's hearing will focus on a critical component of many Federally funded child nutrition programs: commodity distribution. The U.S. Department of Agriculture provides commodity support for the School Lunch Program, the Child and Adult Care Food Program, and the Summer Food Service Program as well.

Last year, the United States Department of Agriculture provided commodities to these programs valued at more than \$700 million. The Department of Agriculture has two major objectives in its mission to provide food products to schools. One objective is to purchase products as part of the Department's price support and surplus removal program. The second is to provide schools with highquality nutritious foods so that children have access to meals that are both healthful and appealing.

Now, these objectives are frequently at odds, which poses an ongoing challenge for the Department. And because the Department is charged with stabilizing agricultural markets and children's preferences, food quality and nutrition must frequently compete with economic factors when the Department decides which commodities

to purchase and supply.

In 1999 the USDA undertook a broad evaluation of its commodity procurement and distribution systems to improve food distribution to schools and other beneficiaries. The Department's ultimate goal was to better serve producers and consumers by improving both the efficiency of the distribution process and the quality of the foods delivered.

USDA convened a blue ribbon panel, Food Distribution 2000, which included representatives from industry, schools, and State commodity distribution agencies as well. The result was a report that made many valuable recommendations for improving USDA's food distribution systems. Since that time the Department has created a number of pilot programs and other initiatives to improve upon the current system. However, additional efforts are needed and several recommendations have yet to be implemented.

Last month I sent a letter to Agriculture Secretary Ann Veneman requesting information about the Department's efforts to implement the recommendations of the Food Distribution 2000 panel. I look forward to working with the Secretary, Under Secretary for Food and Nutrition, Eric Bost, Ag Marketing Services Administrator, A. J. Yates, and our partners in the food industry and school food service providers to continue the good work that has been started to make meaningful reforms in the commodity distribution system.

Today we will hear from experts who will help us shed light on the commodity distribution to child nutrition programs, what works well, what needs improvement. Several of today's witnesses will tell us about progress made by the Department to act upon the recommendations of the Food Distribution 2000 report and how Congress can help.

I am certain all of our witnesses today will offer unique perspectives on child nutrition and program operations that will be helpful to the Members of this Committee as we work to improve these programs, and we look forward to all of your comments.

Now, I would yield to our Ranking Member today, my good friend from the State of Michigan, Mr. Kildee.

[The prepared statement of Chairman Boehner follows:]

Statement of the Honorable John A. Boehner, Chairman, Committee on Education and the Workforce

Good Afternoon. Thank you for joining us today for this important hearing on improving the quality and efficiency of commodity distribution to federal child nutrition programs. These programs are central to providing the nation's needy children with access to safe, affordable, and nutritious food. This marks the first Full Committee hearing to help prepare Members of this Committee for the upcoming reauthorization of the Child Nutrition Act and the Richard B. Russell National School Lunch Act

There is general agreement on the importance of good nutrition for everyone, especially growing children. While parents obviously bear first responsibility for ensuring their children eat well and exercise regularly, programs authorized under the Child Nutrition Act and National School Lunch Act play a positive role as well, helping to provide disadvantaged children access to nutritious meals and snacks. Programs such as the National School Lunch and Breakfast Programs, WIC, the Summer Food Service Program, and the Child and Adult Care Food Program are helping many of these children achieve full physical development and success in school.

The federal child nutrition programs were conceived to offer wholesome meals and snacks to children in need, and to support the health of lower-income pregnant women, breastfeeding mothers, and their young children. These programs represent a huge national investment totaling more than \$15 billion per year. While these programs have been generally heralded as successful, this Committee is seeking new ways to improve access to safe, healthy, and affordable meals and to better serve all program participants.

Today's hearing will focus on a critical component of many federally-funded child nutrition programs—commodity distribution. The U.S. Department of Agriculture provides commodity support for the National School Lunch, the Child and Adult Care Food, and the Summer Food Service program. Last year, the United States Department of Agriculture provided commodities to these programs valued at more

than \$700 million.

The Department of Agriculture has two major objectives in its mission to provide food products to schools. One objective is to purchase products as part of the Department's price-support and surplus-removal programs. The second is to provide schools with high quality, nutritious foods so that children have access to meals that are both healthful and appealing. These objectives are frequently at odds, which poses an ongoing challenge for the Department. Because the Department is charged with stabilizing agriculture markets, children's preferences, food quality and nutrition must frequently compete with economic factors when the Department decides which commodities to purchase and supply.

which commodities to purchase and supply.

In 1999, USDA undertook a broad evaluation of its commodity procurement and distribution systems to improve food distribution to schools and other beneficiaries. The Department's ultimate goal was to better serve producers and consumers by improving both the efficiency of the distribution process and the quality of foods delivered. USDA convened a blue ribbon panel, Food Distribution 2000, which included representatives from industry, schools, and State commodity distribution agencies. The result was a report that made many valuable recommendations for improving

USDA's food distribution system.

Since that time, the Department has created a number of pilot programs and other initiatives to improve upon the current system. However, additional efforts are needed and several recommendations have yet to be implemented. Last month, I sent a letter to Agriculture Secretary Ann Veneman requesting information about the Department's efforts to implement the recommendations of the Food Distribution 2000 panel. I look forward to working with Secretary Veneman, Under Secretary for Food and Nutrition, Eric Bost, Agriculture Marketing Service Administrator, A.J. Yates, our partners in the food industry, and school food service providers to continue the good work that has been started in making meaningful reforms to the commodity distribution system.

Today, we will hear from experts who will help shed light on commodity distribution to child nutrition programs—what works well and what needs improvement. Several of today's witnesses will tell us about progress made by the Department to act upon the recommendations of the Food Distribution 2000 report and how Congress can help. I am certain all of today's witnesses will offer unique perspectives on child nutrition and program operations that will be tremendously helpful to the Members of this Committee as we work to improve these programs. We look forward

to their comments.

With that, I would like to recognize the Committee's distinguished Ranking Member, Mr. Miller.

STATEMENT OF HON. DALE KILDEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. KILDEE. Thank you, Mr. Chairman. Thank you very much for having this very important hearing. I have been involved with child nutrition since about 1954, when I became a teacher. I see people are there in the background that I have known since I have been here in Congress, 27 years. It is certainly a very, very important program.

Some people forget that the program really began after World War II when it was discovered that many people entering the military in the draft at that time were physically unable to enter the military because of poor nutrition. Of course, many of them had grown up during the 1930's, when we had the Great Depression. So it really became apparent to the Federal Government, Franklin Roosevelt, and before him, Harry Truman, that nutrition was very, very important for the long-term health of young people and for the long-term health of this Nation.

I have been through every permutation that this program has gone under, cash in lieu of commodities, everything, every permutation of that. But generally speaking, the Federal Government has kept its commitment. There are times when we had some problems with trying to call ketchup a vegetable and things like that, which we do muse about from time to time. But generally, all of

the Administrations have been aware of the fact that this is a very,

very important program.

One of the programs I visited recently in my district—Congress established a vegetable pilot program in four different States and one Indian reservation. That was very important. One of the States happened to be Ohio, the other was Michigan. I am not sure how we got in there. But I visited the program in Linden, Michigan and

was very, very much impressed.

I know we always have to go through changes and new ideas. But this program is really one of the great programs, and I would hope that that pilot program would be expanded and that the Department look at that. When Secretary Veneman announced the award of that \$6 million, and that Michigan was one of those, I was determined to go out and visit the programs. You have done a very, very good job in that program and I commend you for it.

When I taught school, we had no such thing as a formal breakfast program for students. As a matter of fact, there was a great deal of controversy when the breakfast programs started, the idea that that might weaken the family. But the breakfast program has

been very, very important.

Having taught school, I could recognize the students who arrived at school not having had breakfast and how that did affect their learning. I started the first breakfast program for one student, atyou have heard me tell that story many times—at Flint Central High School. I had noted that every day in my homeroom, someone's lunch was being stolen. Very often students packed their lunch and brought it to school. It was being stolen. And I was raised in a family where stealing was a very, very-

Chairman Boehner. Mr. Kildee, nobody attempted to ever steal

my lunch.

Mr. KILDEE. Very good. Well, you probably kept a very watchful

Chairman BOEHNER. I would have gladly given it to them.

Mr. KILDEE. It was the quality then, right?

But I finally caught the young man who was stealing the lunch. And stealing was not only considered a very serious crime in my family, but a sin. So I was going to turn him into the principal who would have suspended him for several weeks. But I found out that his mother was in no position to get him a breakfast in the morning. And whenever he got to school, his first task was to find something to eat.

But then he said to me, he said, Mr. Kildee, I never steal the same lunch from the same person in the same week. And I figured, this kid has ethics. So I took him down to the cafeteria where we had no breakfast program, and said to Mrs. Pelkey, who was in charge of the cafeteria, "Mrs. Pelkey, Robert will be coming down here every morning for breakfast, and you get him something for breakfast and then send me a bill." Well, he got breakfast for 3 years, and I never got a bill. But since then, of course, we have established breakfast programs in many schools.

So I look forward to your hearing today. You are involved in something so important. Nutrition is so important. And the Federal Government has a great responsibility in this area. I look forward

to your testimony. Thank you, Mr. Chairman.

Chairman BOEHNER. Thank you, Mr. Kildee.

I want to introduce our first panel of witnesses today. Our first witness will be the Honorable Eric M. Bost, who is the Department of Agriculture's Under Secretary for Food, Nutrition, and Consumer Services. As Under Secretary, he is responsible for the administration of the Department's 15 nutrition assistance programs, including the Food Stamp Program, the National School Lunch Program, the School Breakfast Programs, and WIC. Before his appointment, Mr. Bost served as Commissioner and Chief Executive Officer of the Texas Department of Human Services.

Our next witness will be Mr. A. J. Yates, who is the current administrator of USDA's Agriculture Marketing Service. Mr. Yates oversees more than 50 programs designed to maintain a stable marketing environment for the benefit of America's farmers, ranchers and consumers. Prior to his appointment, he served as both the Deputy Secretary and the Under Secretary for the California Department of Food and Agriculture. He has been actively involved in providing leadership to a variety of organizations supporting ag-

riculture and education.

For those of you that may not be aware, in addition to chairing this Committee, I am also the Vice Chairman of the House Committee on Agriculture. So I am glad to have both of these gentlemen here.

Mr. Bost, with that you may begin your testimony.

STATEMENT OF ERIC M. BOST, UNDER SECRETARY, FOOD, NUTRITION, AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE

Mr. Bost. Good afternoon, and thank you so very much, Mr. Chairman and members of the Committee. I am Eric Bost, the Under Secretary for Food, Nutrition, and Consumer Services at the United States Department of Agriculture. I appreciate this opportunity to review the Department's Commodity Nutrition Assistance Program and consider how this vital program can be enhanced as it relates to the National School Lunch Program

it relates to the National School Lunch Program.

As you know, the Child Nutrition reauthorization process gives the Administration and Congress the opportunity to support local schools, parents, and communities to move toward an environment that values and fosters the health of our children. The commodities are used in school meals in over 98,000 schools nationwide. Over 28 million lunches are served each day in the National School Lunch Program. In fiscal year 2003, USDA provided schools with over 705 million in entitlement commodities and \$75 million in bonus commodities for their school meal programs.

Of course, the commodity programs are equally important to American farms and ranchers because they provide the Depart-

ment with a means to stabilize agricultural markets.

There has been considerable attention paid to the fat, sodium, and sugar content of school meals. I would like to ensure the Committee of our continuing and abiding concern in this area and share a few of the things that we have done to address this.

The Department has, one, reviewed and modified recipes, commodity specifications, and other materials that support compliance with the dietary guidelines. We have also worked with schools to more closely align the meals they serve with the dietary guidelines. We are working hard to improve the quality, variety, and nutritional content of commodities we provide the schools, including offering reduced-fat meat and cheese products, reducing the salt content of canned vegetables, and reducing the sugar added to canned fruit.

We have also strongly encouraged schools to offer more nutritious choices to students and provide food service workers with the training and technical assistance to help them prepare more nutritious and appealing meals. Today, over 80 percent of these National School Lunch Program schools, we believe, offer meals that are consistent with good health.

We have also asked our partners in industry and State and local agencies for their suggestions in order to identify how we can improve the delivery of the commodity programs to States and schools. Earlier the Chairman made reference to the Food Distribu-

tion 2000 report that we use as a blueprint for change.

There are a couple of things I would like to say about what we have done to address many of the recommendations, we believe, all of the recommendations that were noted in that report. We have implemented an Internet-based, commodity-based ordering system called the electronic commodity ordering system. This new system provides greater access and speed in food distribution processes at the Federal, State and recipient agency levels. States can now place, cancel, or modify food orders online that previously were handled through paper transactions. We plan to roll the system out in schools, at the State's option, beginning next year.

We have also done some things to align the commodity programs with commercial practices. To bring our commodity programs more in line with commercial practices, we have now allowed vendors to use commercial labels on USDA commodities in lieu of USDA labels; permitted recipient agencies to maintain single inventory records, instead of requiring separate accounting for USDA commodities and commercial products; and reviewed all USDA commodity specifications and improving or modifying them when fearible to better aligns there with a provide a product of the p

sible, to better align them with commercial specifications.

In addition to that, we have also revised regulations that allow for full substitution of all commodities with the exception of beef and pork, and with limited substitution for poultry products, which allows processors more flexibility in scheduling their production.

In addition to that, we have also initiated a long-term contract for certain commodities, including cheese, some fruits, frozen chicken and turkey products, bringing consistency and predictability to

the commodity program.

"Best value" as opposed to "lowest cost" contracts are also being tested to focus on overall product quality and service. There is also a concern to ensure that the food that we serve as a part of this program is also safe. So we have worked very closely with the Department's Food Safety and Inspection Service to ensure that that occurs. We have established and implemented written procedures and timeframes to address commodity holds and/or recalls resulting from safety concerns. This initiative reduces the hold time on commodities, removes products quickly from schools and other outlets, and expedites product replacement and/or reimbursements.

As with other Distribution 2000 initiatives, this was a joint effort by us, the Food and Nutrition Service, the Agricultural Marketing Service, the Farm Service Agency, and the Food Safety Inspection Service. In keeping with the dietary guidelines, we have established helpful standards for canned fruit and vegetables offered in our nutrition programs. We have also worked to ensure that we increase and encourage the purchase and consumption of fresh fruits and vegetables for our School Lunch Program.

We have successfully teamed with the Department of Defense Supply Center of Philadelphia to deliver high-quality fresh produce to school children and Indian tribes. Under this program, participating schools nationwide order fresh produce directly from DOD prime vendors. In fiscal year 2003, USDA purchased \$50 million worth of fresh fruit produce for schools, and the program has prov-

en to be very popular and is currently in about 41 States.

With Food Distribution 2000, we have worked cooperatively, as I noted, with all four of the agencies, and I am very pleased to announce that today, later on this afternoon, we will go live with a USDA commodity food network Web site, which allows customers to go to a single portal for all USDA commodity program needs. It is an E-government resource designed to provide a wealth of information about the purchase and distribution of USDA's commodities. This portal combines the resources and information from all four agencies and other partners in the commodity distribution network into a one-stop shopping for our customers. It is no longer necessary to understand the roles of each of the agencies individually, but you are able to go to one place and receive information about how the commodity program works.

In conclusion, Mr. Chairman, USDA would be pleased to work with you and this Committee as we embark on reauthorizing the child nutrition programs to ensure the continued improvement and success of our nutrition programs for the Nation's children and the

continued success of our commodity programs.

Mr. Chairman, this concludes my testimony. Of course, I am happy to answer any questions that you or the Committee Members may have.

Chairman BOEHNER. Mr. Bost, thank you for your testimony. [The prepared statement of Mr. Bost follows:]

Statement of Eric M. Bost, Under Secretary of Food, Nutrition, and Consumer Services, U.S. Department of Agriculture, Food and Nutrition Services

Good afternoon, Mr. Chairman and Members of the Committee. I am Eric M. Bost, Under Secretary for Food, Nutrition and Consumer Services (FNCS) at the U.S. Department of Agriculture (USDA). I appreciate this opportunity to join you once again as you review the Department's commodity nutrition assistance program and consider how this vital program can be enhanced as it relates to the National School Lunch Program (NSLP). As you know, the Child Nutrition reauthorization process gives the Administration and Congress the opportunity to support local schools, parents, and communities to move toward a nutrition environment that values and fosters the health of our children.

The Department of Agriculture is very proud of its commodity programs and the role they play in supplementing and supporting our other nutrition assistance programs. USDA commodities are used in school meals in over 98,000 schools nationwide. In Fiscal Year 2003, USDA provided schools with over \$705 million in entitlement commodities and \$79 million in bonus commodities for their school meals programs. Nationwide, over 28 million lunches are served each day in the National School Lunch Program. Of course, the commodity programs are equally important

to American farms and ranches because they provide the Department with a means to stabilize agricultural markets.

I would like to begin today by saying a few words about the nutritional aspects of our school meal programs. There has been considerable attention paid to the fat, sodium, and sugar content of these meals. I would like to assure the Committee of our continuing and abiding concern in this area. The Department has reviewed and modified the recipes, commodity specifications and other materials that support compliance with the Dietary Guidelines for Americans.

USDA has worked with schools to more closely align the meals they serve with the Dietary Guidelines. Today, over 80 percent of NSLP schools offer meals that are consistent with good health. We have worked hard to improve the quality, variety, and nutritional content of the commodities we provide to schools and will continue to make improvements in the future. At the same time, we are strongly encouraging schools to offer more nutritious choices to students and we are providing food service workers with the training and technical assistance to help them prepare more

nutritious and appealing meals.

As many of you recall, back in the 1990's, the Department became aware of a growing gap between the way we were delivering our commodity support to schools and the way States, schools and industry could most efficiently and safely produce, deliver, store and serve a quality product. We asked our partners in industry, the State, and local agencies for their suggestions in order to identify how we could close this gap, and we incorporated these recommendations, along with our own, into a report entitled, "Food Distribution 2000," and used it as a blueprint for change.

Recognizing and Responding to a Challenge

The Food Distribution 2000 Report identified numerous ways in which USDA's commodity program for schools was overly cumbersome and burdened with red tape. Commodity ordering was handled by seven different regional offices, rather than centrally at USDA's Food and Nutrition Service headquarters. Orders were sub-

mitted on paper, not electronically.

The Department's program was significantly out of step with commercial practices. Vendors were required to use USDA labels on commodities, which entailed running separate production lines and no interchangeable products. The Department required States and recipient agencies to maintain separate inventories for USDA products and account for them aside from commercial products. Specifications for USDA commodities often deviated from the specifications commonly used for commercial products. The vendor contracting process—short-term lowest cost contract awards—made USDA the customer of last resort and created inconsistent and unpredictable product quality and service.

Other key issues the report addressed were how USDA agencies could better coordinate their efforts, improve food safety protocols, and promote fresh fruits and

vegetables.

I am pleased to report that USDA has addressed each of the issues raised by the Food Distribution 2000 Report, took action, and has now implemented most of the Report's recommendations, some of which I would like to share with you this after-

Making Commodity Programs More Responsive to Customer Needs

To make our commodity programs more responsive to our customers, USDA has implemented an Internet-based commodity ordering system called the Electronic Commodity Ordering System (ECOS). This new system provides greater access, speed and transparency to the food distribution process at the Federal, State, and recipient agency levels. States can now place, cancel, or modify food orders online that previously were handled by paper transactions. We plan to roll the system out to schools, at the State's option, beginning next year.

Aligning Commodity Programs with Commercial Practices

To bring our commodity programs more in line with commercial practices, USDA

- Allows vendors to use commercial labels on USDA commodities in lieu of USDA
- · Permits recipient agencies to maintain single inventory records, instead of requiring separate accounting for USDA commodities and commercial products;
- Reviews all USDA commodity specifications, and improves/modifies them when feasible, to better align them with commercial specifications.

We have revised regulations to allow for full substitution of all commodities, with the exception of beef and pork, and with limited substitution for poultry products. Substitution allows processors more flexibility in scheduling production. Through the use of the Standard Yield Program, schools can now obtain seamless distribution of commodities and commercial purchases.

We have also initiated long-term contracts for certain commodities, including cheese, some fruits, frozen chicken and turkey products. This procurement method brings consistency and predictability to the commodity program. "Best value", as opposed to "lowest cost" contracts are also being tested to focus on overall product quality and service.

Improving Food Safety Protocols

To ensure that the commodities we offer to schools are safe as well as nutritious, all meat and poultry product specifications are reviewed and/or amended in consultation with the Department's Food Safety Inspection Service (FSIS).

Ground beef suppliers must operate under new process control protocols similar

to those required by large volume commercial buyers of ground beef.

USDA has also established and implemented written procedures and time frames to address commodity holds and/or recalls resulting from safety concerns. This initiative reduces the hold time on commodities, removes product quickly from schools and other outlets, and expedites product replacement/reimbursement. As with other Food Distribution 2000 initiatives, this was a joint effort by FNS, the Agricultural Marketing Service (AMS), the Farm Service Agency (FSA), and FSIS.

Promoting Fresh Fruit and Vegetables

As many of us here today recall from our own school days, the National School Lunch Program of the 1950's and 60's served canned fruits and vegetables almost exclusively, and in keeping with the tastes and nutrition knowledge of the times, they were often flavored with plenty of salt and heavy syrup. Since those days, and in keeping with our Dietary Guidelines, we have established much more healthful standards for canned fruits and vegetables offered in our nutrition programs. The sodium specifications for the vegetables we offer to schools are the minimum amount possible that still assures palatability of the products. Canned fruit is packed only in natural juice or light syrup.

Recently, the Department has embarked on a major effort to increase and encourage the purchase and consumption of fresh fruits and vegetables for the school

lunch program.

USDA has successfully teamed up with the Department of Defense (DoD) Supply Center of Philadelphia to deliver high quality fresh produce to school children and Indian tribes. Under this program, participating schools nationwide order fresh produce directly from DoD prime vendors. In fiscal year 2003, USDA purchased \$50 million worth of fresh produce for schools and the program has proven to be very popular in the 41 States that took part in it last year.

Improving USDA Inter-Agency Coordination

Food Distribution 2000 has been a collective and unprecedented effort of four USDA agencies. Together, FNS, AMS, FSA, and FSIS have forged a partnership to eliminate inter-agency barriers and work together to bring about major structural changes to the commodity programs our Department administers. The success of these commodity improvement initiatives is due to the commitment, support, and considerable effort put forth by each agency at every level.

I am proud to announce today that one of our inter-agency partnering goals has resulted in the creation of a one-stop USDA Commodity Food Network (CFN) website. This website—which goes "live" this afternoon—allows our customers to go to a single portal for all USDA Commodity Program needs. It is an e-government resource designed to provide a wealth of information about the purchase and distribution of USDA commodities. This portal combines the resources and information from all four agencies, and other partners in the commodity distribution network, into "one-stop shopping" for our customers. It is no longer necessary to understand the role of an individual USDA agency in order to obtain commodity information.

the role of an individual USDA agency in order to obtain commodity information. The website enables schools, community feeding sites, State agencies, Native American Tribal Organizations and others to have instant access to information about USDA's commodities and distribution programs. CFN also provides direct links to other commodity distribution partner websites, such as the American Commodity Distribution Association and the American School Food Service Association.

Conclusion

Mr. Chairman, USDA would be pleased to work with you and this Committee as we embark on reauthorizing the Child Nutrition programs to ensure the continued improvement and success of our nutrition programs for the nation's children and the continued success of our commodity programs.

Mr. Chairman, this concludes my testimony. I would be happy to answer any questions.

Chairman BOEHNER. Mr. Yates, you may begin.

STATEMENT OF A. J. YATES, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. YATES. Mr. Chairman, members of the Committee, thank you for the invitation to appear before you today to discuss the role of the Agricultural Marketing Service, AMS, in the National School

Lunch Program.

I am A. J. Yates, Administrator of AMS, and I am pleased to be here with Under Secretary Bost. While USDA's Food and Nutrition Service administers the National School Lunch Program, AMS is responsible for purchasing many of the commodities for this and other domestic food assistance programs. We support the National School Lunch Program, providing nutritious, high-quality food to school children through our purchases of red meat, fish, poultry, eggs, fruit and vegetable products. USDA's Farm Service Agency purchases flours, grains, peanut products, dairy products, oils and shortening. All of these purchases help to stabilize the agricultural market by balancing supply and demand, thus helping domestic farmers and ranchers.

Let me briefly describe the purchase process and AMS's role in it. The process begins long before AMS announces that it plans to purchase particular food items. AMS specialists knowledgeable in food processing work with potential vendors, Food Nutrition Service, and food safety officers in developing specifications for each item that will be purchased. Many of these items are similar to the popular commercial items.

Other items are developed specifically to meet the special nutritional needs of our recipients. The specification provides details on product formulation, manufacturing, packaging, sampling and testing requirements and quality assurance provisions. By coordinating the development of specifications with specialists from all aspects of food processing, AMS ensures the purchase of high-quality, wholesome, appealing products that meet recipients' needs and Federal standards for nutrition.

Prior to conducting any purchase, AMS economists assess market conditions and determine the availability for commodities the agency is considering buying. During this time, AMS also works closely with Food Nutrition Service to determine recipient preferences. Orders are taken by FNS and provided to AMS so that purchases can be made.

Although weekly meal patterns must meet Federal standards, local school authorities make the decisions about what specific foods to serve and how they are prepared. Moreover, USDA's commodities comprise less than 20 percent of the food products put on school childrens' plates. AMS and FSA are responsible for issuing and accepting bids and awarding and administering contracts.

FNS is responsible for taking commodity orders from States, monitoring purchases and entitlements throughout the year, and the overall administration of the commodity nutrition programs.

Actual purchasing begins with AMS and Farm Service Agency notifying specific industries, through press releases and other means, of their intent to purchase particular food products. These agencies invite bids under a formal advertised competitive bid program. These invitations give specific details on when bids are due for a particular purchase. All products must be US-produced and of domestic origin. Under Federal acquisition regulations, vendors must be deemed responsible prior to participating in the program. For instance, they must have a satisfactory performance record and adequate financial resources to demonstrate their ability to produce and deliver the product within designated timeframes.

It is essential that USDA-purchased food products arrive on time, as recipients depend on it. Bids are received from responsible vendors, analyzed, and contracts are awarded by AMS or Farm Service Agency. Contracts are then administered by the agencies to

make sure that the terms and conditions are followed.

All products purchased by USDA are produced in compliance with applicable food safety-Federal food safety laws and regulations. Red meat, poultry, and egg products must be processed under USDA's Food Safety and Inspection Service regulations. And all fruit, vegetable and fish products are subject to Food and Drug Administration regulations.

FSIS and FDA ensure that such products are wholesome and that processing plants operate under sanitary conditions. In addition to FSIS inspection, AMS inspectors are present during production and shipping of all red meat and poultry items to ensure compliance with all specification requirements, including those for raw

material processing, packaging, and testing.

Plants supplying processed fruit and vegetable products undergo a survey by AMS inspectors to ensure compliance with FDA requirements, including that agency's good manufacturing practices. Additionally, fish products are produced in facilities operating under the National Marine Fisheries Service voluntary seafood inspection program. For certain types of products, such as ground beef, egg products and fruit juices, additional product handling and testing protocols are required.

AMS also works with FSIS to distribute educational materials for food service professionals about proper handling and cooking techniques. These materials are available both in Spanish and English, and are designed to assist food service professionals in every school participating in the National School Lunch Program.

As you know, in 1998, USDA policy officials met with representatives of the American School Food Service Association and the American Commodity Distribution Association, with the aim of improving the commodity procurement and distribution process. AMS played a key role in developing and implementing the initiatives contained in the "Food Distribution 2000—USDA's Reinvention Plan for Change" report.

Some of the key initiatives contained in this report that AMS has implemented include the expanded use of long-term contracts with proven suppliers; expanded use of best-value contracting; revised product specifications to align them with commercially available products; purchase of commercially labeled products; use of commercial and commodity products interchangeably by further processors in the manufacture of fruit and vegetables products, and, on a more limited basis, poultry products; implemented formal commodity product hold and recall procedures for use by State and local authorities; and relaxed truckload delivery requirements al-

lowing multiple stops within a State or city.

Mr. Chairman, AMS is proud of the role it plays in providing food products to this Nation's school children. We are proud of the relationship we have built with other Federal agencies, State agencies, and the school food community to carry out this most impor-tant responsibility. We look forward to working with you in any way that we can as the Child Nutrition Act and Richard B. Russell National School Lunch Act reauthorization process continues.

This concludes my statement, Mr. Chairman, and I would be

pleased to respond to any questions that you may have.

Chairman BOEHNER. Mr. Yates, thank you for your testimony.

[The prepared statement of Mr. Yates follows:]

Statement of A. J. Yates, Administrator, Agricultural Marketing Service, U.S. Department of Agriculture

Mr. Chairman and Members of the Committee, thank you for the invitation to appear before you today to discuss the role of the Agricultural Marketing Service (AMS) in the National School Lunch Program. I am A. J. Yates, Administrator of AMS, and I am pleased to be here with Under Secretary Bost.

In 1946, Congress passed the National School Lunch Act, providing a healthy lunch to millions of schoolchildren. Over 55 years later, the program continues to help improve the health of children, especially those at nutritional risk.

While USDA's Food and Nutrition Service (FNS) administers the National School While USDA's Food and Nutrition Service (FNS) administers the National School Lunch Program (NSLP), AMS is responsible for purchasing many of the commodities for this and other domestic food assistance programs. We support the NSLP by providing nutritious, high quality food to schoolchildren through our purchases of red meat, fish, poultry, egg, fruit, and vegetable products. USDA's Farm Services Agency (FSA) purchases flours, grains, peanut products, dairy products, oils, and shortenings. All of these purchases help to stabilize prices in agricultural markets by balancing supply and demand, thus helping domestic farmers and ranchers. Let

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The process begins long before AMS announces that it plans to purchase par-The process begins long before AMS announces that it plans to purchase particular food items. AMS specialists knowledgeable in food processing work with potential venders, FNS, and food safety officials to develop a specification for each item that will be purchased. Many of these items are similar to popular commercial items. Other items are developed specifically to meet the special nutritional needs of our recipients. The specification provides details on product formulations; manufacturing, packaging, sampling, and testing requirements; and quality assurance provisions. By coordinating the development of specifications with specialists from all aspects of food processing. AMS ensures the purchase of high-quality, wholeall aspects of food processing, AMS ensures the purchase of high-quality, wholesome, appealing products that meet recipients' needs and Federal standards for nu-

Prior to conducting any purchase, AMS economists assess market conditions and determine the availability for commodities the Agency is considering buying. During this time AMS also works closely with FNS to determine recipient preferences. Orders are taken by FNS and provided to AMS so that purchases can be made. Although weekly meal patterns must meet Federal standards, local school authorities make the decisions about what specific foods to serve and how they are prepared. Moreover, USDA commodities comprise less than 20 percent of the food products put on schoolchildrens plates.

AMS and FSA are responsible for issuing and accepting bids and awarding and administering contracts. FNS is responsible for taking commodity orders from States, monitoring purchases and entitlements throughout the year, and the overall

administration of the commodity nutrition programs.

Actual purchasing begins with AMS and FSA notifying specific industries through ress releases and other means of their intent to purchase particular food products. The agencies invite bids under a formally advertised competitive bid program. These "invitations" give specific details on when bids are due for a particular purchase. All products must be U.S.-produced and of domestic origin.

Under Federal Acquisition Regulations, vendors must be deemed "responsible" prior to participating in the program. For instance, they must have a satisfactory performance record and adequate financial resources to demonstrate their ability to produce and deliver the product within designated timeframes. It is essential that USDA purchased food products arrive on time as recipients depend on it.

Bids are received from responsible vendors, analyzed, and contracts are awarded by AMS and FSA. Contracts are then administered by the agencies to make sure

that terms and conditions are followed.

All products purchased by USDA are produced in compliance with applicable Federal food safety laws and regulations. Red meat, poultry, and egg products must be processed under USDAs Food Safety and Inspection Service (FSIS) regulations, and all fruit, vegetable, and fish products are subject to Food and Drug Administration (FDA) regulation. FSIS and FDA assure that such products are wholesome and that

processing plants operate under sanitary conditions.
In addition to FSIS inspection, AMS inspectors are present during production and In addition to FSIS inspection, AMS inspectors are present during production and shipping of all red meat and poultry items to ensure compliance with all specification requirements—including those for raw materials, processing, packaging, and testing. Plants supplying processed fruit and vegetable products undergo a survey by AMS inspectors to assure compliance with FDA requirements, including that Agency's Good Manufacturing Practices. Additionally, fish products are produced in facilities operating under the National Marine Fisheries Service voluntary seafood

facilities operating under the National Marine Fisheries Service voluntary seafood inspection program. For certain types of products, such as ground beef, egg products, and fruit juices, additional product handling and testing protocols are required. AMS also works with FSIS to distribute educational materials for food service professionals about proper handling and cooking techniques. These materials, available in both Spanish and English, are designed to assist food service professionals in every school participating in the NSLP.

As you know, in 1998, USDA policy officials met with representatives of the American School Food Service Association and the American Commodity Distribution Association with the aim of improving the commodity programment and dis-

American School Food Service Association and the American Commodity Distribution Association with the aim of improving the commodity procurement and distribution process. AMS played a key role in developing and implementing the initiatives contained in the "Food Distribution 2000—USDA's Reinvention Plan for Change" report. Some of the key initiatives contained in this report that AMS has implemented include:

Expanded use of long-term contracts with proven suppliers;

Expanded use of best-value contracting;
Revised product specifications to align them with commercially available prod-

Purchase of commercially labeled products;

Use of commercial and commodity products interchangeably by further processors in the manufacture of fruit and vegetable products and, on a more limited basis, poultry products;

Implemented formal commodity product hold and recall procedures for use by

State and local authorities; and

• Relaxed truckload delivery requirements allowing multiple stops within a State

Mr. Chairman, AMS is proud of the role it plays in providing food products to this Nations schoolchildren. We are proud of the relationships we have built with other Federal agencies, State agencies, and the school food community to carry out this most important responsibility. We look forward to working with you any way we can as the Child Nutrition Act and Richard B. Russell National School Lunch Act reauthorization process continues.

This concludes my statement, Mr. Chairman. I would be pleased to respond to

questions from the Committee.

Chairman Boehner. USDA's commodity distribution program really has two objectives. One is to stabilize the agricultural marketplace, and, second, to provide high-quality nutritious foods to Federal nutrition programs. And I am trying to—wearing both of my hats of interest—trying to understand what really drives this process: what is good for the nutrition programs in terms of what the schools want; or is it the economics of the marketplace in terms of the stabilization of certain commodity markets?

So I would like to ask both of you, just help me understand which objective wins when it is all said and done.

Mr. Bost. Mr. Chairman, let me take a stab at it. I don't know if it is a question of which objective wins. I think what we have attempted to do in the Department is to ensure that there is a balance, and that essentially they balance one or the other out in terms of us making some decisions that are going to address both entities.

On the one side, of course, what the farmers and ranchers produce and they want us to buy; and on the other hand, a very important consideration that we have to give—we are interested in giving to ensure that we provide nutritious, healthy food to the 29 million children in our schools.

And also the other issue of dealing with the bonus buys that are out there. So we try to bring all of those to the table and balance them out in terms of some decisions that we make.

Interestingly enough, that is why there are essentially two components of the program. One, of course, is entitlements. There are 143—145 items on that list that schools are actually able to order from. The other is bonus buys. The bonus buys afford the Department a great deal of flexibility in terms of when and what they buy and how much.

And so that tends to be somewhat of a lever, because it affords us an opportunity to attempt to balance all of those things out, a challenge. It is a major challenge for us. Because there is a great deal of pressure coming, of course, from one side on occasion, saying "Well, I want you to buy X." It could be peaches, it could be tree nuts. It could be, "Well, I want you to buy more beef.".

On the other hand, it could be, we are interested in ensuring that the foods that we do buy, one, that we can afford to buy them; and, two, that they are going to meet the nutritional needs of school children. And, most importantly, that even when we do buy them, that the children are going to eat them. We have people who come to see us who are interested in, say, two of my favorites, asparagus and brussel sprouts. You know, there are not too many second graders that that is at the top of their list, you know, in terms of interest and taste.

So we try to ensure that we balance all of those things out.

Chairman BOEHNER. Mr. Yates.

Mr. YATES. Mr. Chairman, it is a balancing act. And we at AMS work very closely with FNS. We will have a number of different agricultural commodity groups come before us in a period of time with a statement that our commodity is in surplus, we are having a difficult time. And the first thing that we always do, is we go to FNS and we say, here is what the industry has out there in surplus. Can you use it in any of the school lunch programs? Are the recipients interested in this type of product?

It is a very close relationship that we have with FNS in this regard. And as the Under Secretary said, some of these commodities are wanted much more than others. And we look for ways of putting nutritious items together, even if it is a dried fruit mix, that would allow us to use certain commodities that by themselves might not be so appealing to an individual, a young student, but by combining these nutritious dried fruits together, it provides something that was very popular last year in the purchases that

we made and the deliveries to the schools.

Chairman BOEHNER. In Food Distribution 2000, the panel recommended that specifications be written to resemble, as close as possible, the specifications used in commercial food system procurement. I know the Department has reviewed some of these. But how are we coming in terms of the implementation of all of those recommendations?

Mr. YATES. Well, I think we have been very successful in implementing most of those. One of the issues that the Under Secretary and I both stated in our testimony is the substitution issue in regards to fruit and vegetables. It is fairly broad in substitution there. And it is limited when it comes to poultry and to beef and pork products.

For the poultry products, if our inspectors are in the facility where we have continuous inspection, the company can be making either commercial or school product, and actually we allow them to use their own label on the product. And so if it has passed under

AMS inspection, those products can be interchanged.

With beef, with the new beef specifications that we put in place last spring dealing with microbial testing, we allow no substitution because the health of one of the most at-risk groups of people we have in the country, the young people in school, we are going to assure to the best of our ability that we deliver a product that is safe and healthful.

And so there—our testing begins at the carcass. And it goes through the boneless beef, on to after-processing. What we are looking at now in addressing the issue I think that you had raised is that we would entertain delivering on time to a processor, chilled, boneless beef for further processing that has gone through our inspection process and microbial testing. And I believe that that would provide a product that is more economical, and also a fresher product for school children.

Chairman BOEHNER. I can see my time has expired. We will come back to that after all of the members have had a chance to

ask their questions. Mr. Kildee.

Mr. KILDEE. Thank you, Mr. Chairman. We understand that the Department has conducted studies to determine how to reduce overcertification of eligibles. Do you believe that these—that there are program safeguards built into your proposal to reduce overcertification that protect children, and to make sure that we aren't dropping those that should still be in? And what are these safeguards?

I have in mind, for example, that I have taught at an inner-city school. We had homeless kids. We had illegal immigrants. We had migrant workers. We had children in barely functional families, if not dysfunctional families. We had really a cross-section. How have you built safeguards in to make sure that in your zeal to reduce overcertification that you weren't really dropping those who legitimately need program?

Mr. Bost. I think it is real important to note that, first of all, it is not necessarily just overcertification. We are interested in ensuring that every eligible child is able to participate in the program, because we have a significant number of eligible children, that for whatever reason, are not participating. So it is just not overcertification, but it is ensuring that those children that are eli-