Testimony for the Joint Economic Committee
May 1, 2008

## INTRODUCTION

Good Morning Mr. Chairman and Members of the Joint Economic Committee. I am George Braley, Senior Vice President of Government Relations and Public Policy for America's Second Harvest-the Nation's Food Bank Network. Our network consists of 205 Food Banks serving all 50 states, Puerto Rico and the District of Columbia. Over 50,000 charitable agencies receive food from our food banks and they in turn provide food assistance for over 25 million low-income Americans each year.

Thank you for holding this important hearing and for the opportunity to speak with you today about the impact of rising food prices on the millions of Americans who face hunger each day. I also want to thank you, Senator Schumer, for your work on S. 2420, the Federal Food Donation Act of 2007. This bill, which would encourage executive agencies to donate excess food to nonprofit organizations providing food assistance, demonstrates the type of creativity and partnership that will be necessary to proactively meet the growing need.
Actions like yours, Senator Schumer, come at a critical time. Our food banks are confronted by three major challenges, any of which would be very hard to deal with, but together have created a true crisis. Over the past several years, our food banks have experienced: (1) substantially reduced donations of federally purchased commodities; (2) a rise in the number of people seeking emergency food because of the declining economy, and (3) more recently, rapidly rising food prices that are seriously undermining our ability to serve the increasing numbers of hungry people coming to us for help. Quite simply, our network is overwhelmed.

Let me briefly address each of these issues.

## GOVERNMENT FOOD SUPPLIES

When the last Farm Bill was enacted in 2002, mandatory funding for the Emergency Food Assistance Program (TEFAP) was frozen at $140 million per year. At that time, we expected to be able to meet the demand presented by hungry Americans because of the high levels of surplus commodity donations acquired by the government to stabilize agricultural markets.

As can be seen by the following chart, this expectation was short-lived.

### TEFAP Commodities Delivered FY 2003-2007

In FY 2003, surplus commodity donations totaled $242 million in value. In the subsequent years, as farm prices began to rise, these surplus food donations began to drop significantly, reaching a low of just $58.5 million in value last year. This represents a drop in federal commodity support of $184 million in JUST four short years.

The substantial loss of federal commodity support was further exacerbated by the reduction in purchasing power that is accompanied by inflation.

Even before the economy's downturn, these losses placed extraordinary demands on our food banks and are the reason why we have been pressing for a strong nutrition title in the pending farm bill. We have advocated for increases in benefit levels and eligibility for the food stamp program, and an increased level of support for commodity donation programs – notably, the Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP).

Food banks strive to secure food from a variety of sources, including corporate donors and individual givers, as well as through federal and state channels. TEFAP products constitute some of the most nutritious and popular products received by the low income families we serve and are especially essential for many rural food banks. With unpredictable government surplus donations due to rising farm prices and the inflationary erosion of recent years, it is imperative that the farm bill now pending in Congress include both an increase in mandatory funding for TEFAP ($250 million beginning in FY2008) and automatic annual inflation adjustments.

The inclusion of an inflation adjustment is especially important now since food price inflation is higher than it has been in decades and is predicted to continue for some time.

I am heartened by the inclusion in both the House and Senate passed versions of the Farm Bill of $250 million for mandatory TEFAP funding and hopeful that the House-passed bill provision containing critically needed annual inflation adjustments will prevail in Conference. The current economic climate and its devastating impact on many Americans who are less than a paycheck away from hunger surely proves the wisdom of building in some protection from the worst effects of food price inflation.

I am also heartened to hear that discussions are underway about a second economic stimulus package have included funding for food stamps and emergency feeding assistance. A quick infusion of federal funding to help many economically distressed Americans not only can reduce their risk of hunger, but it can also quickly stimulate the economy. Additional food stamp benefits move quickly and efficiently through the economy because we know these will be spent. Along with additional food commodities distributed through food banks and community feeding organizations, this additional food assistance can free up limited resources that families desperately need to pay for rising housing, energy, and other living costs.

## EFFECTS OF THE RECESSION

During the recent economic downturn, the number of people seeking food assistance has risen. I look at participation trends in the food stamp program as an indicator of need for emergency food assistance as well. Many people receive help from a food bank, food pantry or other community feeding organization before they become eligible for, or seek assistance through, the food stamp program.

Food Stamp program participation has been rising for several years. But in just the last year, the program has grown by 1.3 million people. That means that 1.3 million more people, with net incomes below the poverty line, have joined the food stamp program. Food stamp program participation is approaching an all time high, yet we know that only 65% of those eligible for the program participate nationwide, and among those that do, many run out of food in the third week of their benefit period. Among our clients who receive food stamp benefits, they report that, on average, their benefits last 2.5 weeks out of the month. Our charitable network serves many of the food stamp clients both before and while they are receiving food stamp benefits.

Our food banks and agencies are currently reporting difficulties with both supply and demand issues. A survey conducted of food banks that provide services in the States and Districts of the Members of this Committee, found that 100% of respondents stated that they're seeing more clients. In fact, on average, those food banks report an increase in demand of between 15%-20% over the past year.

Sadly, our Members must make difficult choices when faced with crisis. 83% of the food banks responded that they are not able to adequately meet the needs of their community without having to adjust the amount of food or their operations. One food bank reports, "Short term, we are limiting the amount of food we can provide agencies. Agencies are limiting the amount of food they provide families." This operation is not alone. Of those who stated that they could not meet demand, 37% have already, or are considering, reducing the amount of food offered at the food bank. Even more food banks (43%) have reduced, or are considering reducing, the variety of foods offered to agencies.

FOOD PRICE INFLATION

This leads to the third problem we are facing - that is, food price inflation and its effect on the need for emergency food assistance. One cannot address the issue of food price inflation without first recognizing that the rising costs of other essentials are also contributing to the economic distress of working poor and lower-income families. Too many families and individuals are having to make trade-offs between paying for the increased cost of getting to work, the cost of heating their home, the cost of health care and prescriptions. Housing costs and the current mortgage crisis contribute to this burden as well. When work expenses, heating, housing and medical costs rise, families too often lessen their spending on food. For many poor families, this means running out of food stamps more quickly and having less money to make up the difference. It also can mean increasing their reliance on family, friends, and local emergency feeding agencies. In our survey of food banks represented by Members of this Committee, we found that 90% report that the increase in demand that they are witnessing is a direct result of a rise in food prices.

But it is not only the poor and near poor who are suffering. There was a news story on CNN a couple of weeks ago about a young mother who had recently lost her $70,000 a year job. She couldn't pay her mortgage and she couldn't cover her other expenses so she moved back in with her mother. She was getting food assistance and referrals to other available support at one of our food banks. The point is that when people are struggling to pay their other expenses, there is not enough money or food stamps left to adequately feed their families.

In many cases, the new clients accessing our Network are working people who never thought that they would have trouble making ends meet. As one food banker in Mineola, NY notes: "The middle class is accessing food from our agencies". Another food banker noted that "We are seeing people standing in our food lines who have never stood in food lines before".

Terri Drefke of the Food Bank of the Rio Grande Valley in Texas says that she is seeing an increase in working families. Mark Quandt at the Regional Food Bank of Northeastern New York agrees: "Agencies are telling us they are serving more people and more 'non-traditional' clients."

This chart demonstrates how rising food price inflation has impacted the food stamp program:

Food Stamp allotments are adjusted annually in October based on June prices for a market basket of foods called the "Thrifty Food Plan". Each year, inflation erodes the purchasing power of food stamps, but in times when inflation is relatively low the impact is less.

During the decade from 1996 to 2006 annual food price inflation averaged 2.61 percent. The increase in the cost of the Thrifty Food Plan last year was 4.63 percent. Of even greater concern is that between June of 2007 and January of 2008 food prices as reflected in the cost of the Thrifty Food Plan rose by 5.47 percent and at that time there were nine more months before people relying on food stamps would see an increase in their food stamp benefits.

What does this mean to families that rely on food stamps? First, even in times of low inflation families run out of food stamps and cash resources before the end of the month. Today, in a period of rapid inflation, people run out of food stamps even sooner and many people turn to emergency food programs in their community such as food pantries supplied by our food banks.

Unfortunately, when they turn to those resources today, they are finding less help than usual and much less help than they need.

WHAT IS NEEDED

First and foremost, the Congress and the President need to complete their work on the Farm Bill. This legislation will replace a significant portion of the support from the federal government that has disappeared since the last Farm Bill. The Farm Bill will also make significant improvements in the benefit levels in the food stamp program by making long needed updates in the structure of the program.

However, as I suggested at the beginning of my testimony, these changes address program issues that existed prior to the recession and the rapid rise in food prices. In the case of the Emergency

Food Assistance Program, the Farm Bill helps significantly in replacing the reduced food supplies from the USDA, but it does not address the increased need for emergency food brought on by the demands of a falling economy and rapid increases in food prices.

In addition to the farm bill improvements, we need to quickly replenish our food banks to meet the needs of some 35 million Americans who face hunger – as well as those being added to this statistic because of the declining economy and inflation. An additional $100 million in emergency funding is needed immediately. A poor economy affects everyone, but its greatest harm falls to those who have limited resources to cushion the impact.

Future need for emergency funding should be based on the performance of the economy and food price inflation. If the economy continues to founder and food price inflation continues at an accelerated pace, then there will continue to be a need for additional emergency funding for TEFAP next year and beyond.

Thank you again Mr. Chairman and Committee Members, for allowing me to testify today. I will be pleased to try to answer any questions that you may have for me.