FOOD FOR THOUGHT:
HUNGER IS BAD FOR BUSINESS, BAD FOR EVERYONE

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Introduction

Hunger and inadequate nutrition are again on the rise here in the land of plenty, and warriors in anti-hunger campaigns worry it is rapidly getting worse. The faltering Minnesota economy, rising energy prices, out of control health care costs, an aging population living on fixed incomes, job losses and a broad-based dose of inflation are literally taking food right off our tables.

The daily barrage of news stories dealing with the weak Minnesota and national economies easily blurs the human dimension of shrinking personal purchasing power. Without accusing anyone of hard-heartedness or callousness, it might be helpful to pause and reflect on what hunger and under-nutrition means to all of us.

Simply put, hunger is bad for business. By at least one measure, it is a $1.1 billion annual drag on the Minnesota economy. That was factored well before the cost of food and food commodities took a big jump upwards earlier this year, before thousands of Minnesotans lost jobs and hundreds lost homes, and before the spiraling costs of food and medical cut even deeper into household disposable income.

Choosing between food and fuel, or meals and medications, slows the economy at the same time that policy makers in St. Paul and Washington are looking for ways to stimulate economic activity. Window shopping doesn’t cut it; restoring personal purchasing power would help.

From this perspective, Minnesota 2020 has chosen to take an “enlightened self-interest” look at hunger and inadequate nutrition. Faith-based groups with feeding programs and nonprofit organizations have long argued the morality of meeting human basic needs. Minnesotans have been responsive in fighting hunger over the years.

This paper, then, is intended to support existing organizational efforts by helping raise awareness that hunger affects us all. To do so, it will explore needs, causes and responses to hunger with the latter being a call to action.
Identifying Needs

Paul Anton, economist with the Amherst H. Wilder Foundation in St. Paul, said there is no generally accepted economic formula for projecting future needs for nonprofit organizations’ feeding programs or for anticipating future eligibility for government food and nutrition programs. The general condition of the economy, however, does offer signals of trends that can be expected.

Past research on behalf of groups such as the Second Harvest food banks and umbrella organizations such as Hunger Solutions Minnesota have profiled users of food shelves and related services, he added. A 2005 study profiled users of feeding programs and surprised those who read it by noting that the working poor now account for nearly one-half the visits to food shelves. That use is spread throughout Minnesota and applies to suburban communities as well as core cities and rural areas.²

While needs are known to have increased since 2005, Anton said, “the profile of food program users wouldn’t change much.”

Rob Zeaske, the new executive director of Second Harvest Heartland, said he was made painfully aware of the non-geographical nature of need when he saw more than 30 people standing out in below-zero temperatures one winter day to gain entrance to a food shelf in Burnsville, the Dakota County suburb south of the Twin Cities.

“You don’t usually think of suburbs as homes for the hungry,” he said.

Spring time news articles in the Minneapolis-based Star Tribune and St. Paul Pioneer Press newspapers noted that mortgage foreclosures in suburban areas are starting to outpace city foreclosures. Given such economic realities, it shouldn’t be surprising that food assistance needs are on the upswing in those same communities. In these times, hunger in the suburbs is no more paradoxical than hunger in rural Minnesota, where people live out among the corn, soybeans, wheat and livestock farms.

The following are snippets drawn from several studies that show current and emerging food and nutrition needs:
There has been about a 12 percent annual increase in the number of visits to Minnesota’s 160 food shelves, said Wilder’s Anton. Those visits reached 1.9 million in 2007, up from about 1.7 million visits in 2005 and 1.2 million visits in 2001.

The Legal Services Advocacy Project and Minnesota Department of Human Services found in a 2007 report that only 275,000 people of 464,000 eligible Minnesotans (59 percent) made use of Food Support Program (food stamps). “It is partly a cultural thing; we have people, especially older people, who let their pride get in the way,” said Heidi Stennes, communications director for Second Harvest Heartland.

The squeeze on low income people is getting worse. The U.S. Labor Department said June “core” inflation had doubled since 2004 and stood at 2.3 percent. That measure doesn’t count food and energy, which are disproportionately greater expenses for lower income households. The larger measure including food and energy expenses, referred to as “headline inflation,” now stands at 4.2 percent with nearly 20 percent increases in fuel and double-digit increases for key grocery basket items. Forecasts from leading market watchers expect inflation will continue rising and drag the “core” rate up to 5 percent.

This squeeze is building momentum. The Labor Department announced on in July that March wholesale prices soared by 1.8 percent, meaning that wholesale prices are rising at the fastest rate in 25 years, and the Producer Price Index gained another 1.8 percent in June after making its biggest one-month jump in 33 years during May. These prices will eventually be passed along to consumers, warned Rich Horvath, owner of Richard’s Market in Maplewood, after government indices showed upward price pressures in April and May. Grocers were informed of wholesale price increases in February and March that are still being brought into play with reordering supplies, he said. Higher consumer prices will be reflected in this summer and fall as the producer and wholesale prices are passed along.

Household incomes are not keeping pace with rising prices. Few new contracts announced by organized labor and professional associations are keeping up with inflation, with government estimates that non-supervisory personnel compensation was negative by 1.1 percent in March. Moreover, unemployment in March jumped to 5.1 percent – using the peculiar U.S. definition of unemployment as those qualifying for unemployment benefits, not the actual number of people out of work.

Prices for basic foodstuffs, most important to low income households, are climbing faster than a more typical shopping cart filled with groceries. The Hunger Solutions Minnesota website carried a report from the national Food Research and Action Center (FRAC) on April 11 showing bread prices had risen 12 percent, rice and pasta up 13 percent, cheese up 15 percent, milk increasing by 17 percent and eggs climbing 25 percent in the 12 months since February 2007. Those prices have continued monthly double digit increases since that report. Basic foods included in the U.S. Department of Agriculture’s “Thrifty Food Plan” for food stamp allotments rose by 6.3 percent, or a full percentage point above the food inflation rate, during that same time. “Though food stamp benefits are indexed for inflation, they are adjusted only once a year – in October – and are perpetually behind actual food costs,” the FRAC report concluded.

Documented and anecdotal experiences at the checkout counters should make it obvious that we are fortunate if we still have jobs and incomes keeping pace with household costs. It should also be obvious that we have neighbors in need of help.
Causes

From a Minnesota perspective, most causes for hunger at home and abroad stem from external forces that we feel increasingly removed from and unable to influence. But like our men and women in military uniforms, we do get called upon to clean up after messes are made or events overrun us. We are at such a stage again with our state and national economy.

Rising Developing World middle class. Not everything is negative about the current fix we’re in. Some of our current discomfort comes from the increased purchasing power expressed by people in the Developing World and emerging industrial powers. Among the latter, put China, India and Brazil at the top of the list, but don’t ignore other areas of Asia, Africa and South America as well.

Various reports by the Paris-based Organization for Economic Development and Cooperation (OECD) document these changes. We may lament the short-term difficulties that these changes bring about - such as the greater demand this puts on world oil and food supplies. But it is also the culmination of everything non-governmental organizations (NGOs) and developed world countries have been seeking for emerging peoples since at least the end of World War II. In something of a paradox, efforts abroad to end hunger through economic development may be contributing to hunger at home. Efforts now should focus on making local, state and national hunger and nutrition conditions a short-term period of adjustment. 7

Global drought cycles. – Key food growing areas of the world have experienced extremes of drought and flooding for the past three years, drawing down global food supplies even as global demand, cited above, increased. Australia, parts of Asia and large parts of Europe experienced these extremes within the past year alone. Closer to home and in a much smaller land space, Minnesota farmers had crops flooded out in the southeastern counties, and large areas of drought in parts of Central Minnesota even as most of the state’s farmers harvested good to great 2007 crops.

This is not a new phenomenon. There is concern that extremes of weather and growing conditions are partly the result of global warming, which means such extremes may become more pronounced in years ahead. Regardless, farmers do consult long-range meteorological patterns and forecasts when making planting decisions each year. These agronomic decisions take into account moisture prospects for the coming growing season. Whether in Australia, Argentina or Aitkin and Anoka counties, it still remains a gamble on weather in trying to match food supplies with anticipated food demand.

More significant than drought, however, has been reductions in planting over the past four to eight years
during which the world’s farmers responded to weak market prices by slowing the usual progression of investments in agricultural production. There is reason to believe the current run up in world commodity prices is bringing investment back into agriculture and world rice and wheat markets are most likely the first major commodity sectors to respond.\textsuperscript{8}

**Declining value of the dollar.** – This is where the blame game comes into play. In truth, fiscal and monetary policy should be key elements in this election year’s political discourse, but one must have a perverse interest in economics or be directly involved in international trade to pay much attention.

Having said that, however, it should be noted that Minnesota is a hotbed for discussing the importance of currency values on the flow and direction of trade. Of major concern in the circles where these discussions take place are the nominal value of commodities, specifically Minnesota farm commodities exported abroad, and the nominal value of oil for which we are heavily dependent on imports.

Why large numbers of Minnesotans actually discuss such matters have historical, geographical and coincidental roots.

Historical because trade has always been important from the days Chief Wabasha II took a delegation up to Duluth and crossed the Great Lakes to meet with French officials at Montreal. The trade mission sought to keep trade routes open. This interest continued from the earliest days of European settlement when it was discovered Minnesota farms and forests produced far more than we could consume at home.

It is also a geographic phenomenon of being on the frontier, far removed from the major population centers that could utilize our surplus production.\textsuperscript{9} And finally, it is coincidental. The University of Minnesota hired the late G. Edward Schuh, a currency and trade expert as head of the its Department of Applied Economics after Schuh served in economic advisory positions for Presidents Nixon, Ford and Carter – the latter as an assistant Secretary of Agriculture under former Agriculture Secretary Bob Bergland. Almost single-handedly, Schuh got major farm organizations to understand the value of currency trumps supply and demand factors in influencing volume and direction of trade.

Among Schuh’s allies in that task was Red River Valley wheat farmer Don Loeslie, who served several terms as president of the Minnesota Association of Wheat Growers.
and as president of the National Association of Wheat Growers. Almost all major farm commodity organizations and their members now recognize the importance of the dollar, and that a weak dollar spurs trade in the short term but causes inflation that runs up land and energy costs that come back to haunt the farm economy.

Two additional points that must be remembered:

a) Oil is a commodity and like all commodities, its international trade is denominated in dollars. Thus, countries with stronger currencies convert their pounds, francs and euros to dollars and then buy oil. In simplistic terms, this means British petroleum users are buying one barrel of oil at the high American price, and getting one free; most of Europe is getting about one-and-a-half barrels of oil for the price of a barrel. We pay the full price.

b) Public deficits DO matter, contrary to what some political leaders would have you believe. Ending the Bretton-Woods monetary agreement in 1971 allowed currencies to trade on the international strength of the issuing countries, no longer backed by gold deposits and a fixed exchange rate.

The effect of this was to make the value of a nation’s currency reflect what international bankers, commodity traders and multinational business leaders thought of the country’s fiscal and monetary policies and overall strength of its economy. In short, it became a constantly changing business confidence poll – much like the University of Michigan’s monthly consumer confidence poll - reflecting what currency buyers and sellers think of a nation’s economic performance and a nation’s political leadership.

America was still at war in Vietnam in the early 1970s, waged mostly on borrowed money that didn’t impress the world currency market. The U.S. dollar went into free fall. Presidents Nixon, Ford and Carter all dealt with consequences that included inflation and later “stagflation,” in which the economy was both stagnant and yet inflationary. It did, for a while, make American farm commodities inexpensive and the world carted off nearly everything our farms could produce.

We have found a new war, and are even less serious about paying for it up front. Instead, we are paying for it slowly at the gas pumps and at the supermarkets. Eventually, if you can remember the 1980s, you know we will pay for it in ways yet to come.
**Food vs. Fuel.** – Critics of biofuels, and especially corn-based ethanol, point fingers at our domestic fuel processing industry in Minnesota and lay blame for some of the current food inflation on the diversion of food to fuel. Researchers such as Abbott, Hurt and Tyner say it is impossible to affix what influence, if any, biofuel production may play in the causes and inadequate nutrition cited above.¹⁰

For that reason, and because this is a poor time to be divisive when we need farmers and town folk alike addressing food issues, a comment here is appropriate.

The Purdue University economists found that oil and food commodity prices are linked in a variety of ways that include the world currency markets, trade that prices commodities in U.S. dollars, and energy needs for producing, processing and transporting food.¹¹ There is no denying that biofuel use of corn is a factor in current prices since ethanol now uses about one-third of the U.S. corn crop. At the same time, cereal grains such as wheat and rice are only partially connected to biofuels – in the case of wheat where farmers have options to plant different crops, and not related at all in the case of rice.¹²

The linkage between food and fuel is not new; rather, it is just more apparent today than it was in past decades. For instance, University of Kentucky researchers note there were 13.5 million horses employed on farms and in transport in the 1930s. There is no agreement on how much acreage is necessary to feed a horse given differences in sizes and workloads for horses and the productivity differences of American farm and pasture lands. University of Michigan researchers, however, use a rough estimate of three acres of land as necessary to feed (fuel) a horse in Michigan. If that is an average nationwide, then 40.5 million acres were needed for the horses’ fuel crops in the 1930s, which is more than the acreage used for feeding ethanol plants in 2007. What’s more, that acreage doesn’t include crops grown to feed oxen, mules and donkeys that were also used as beasts of burden 70 years ago.

Far more research than currently exists is necessary to isolate what role biofuel production may have on the food supply or on food prices. We don’t feed 13.5 million horses today, but what would oil cost if an additional 10 percent of automobile fuels went back to using imported oil? What price differences would occur if American and Minnesota farmland were diverted from corn production to switch grass or some alternative crop to make biofuels? Lastly, what are the hidden environmental costs of going back to using more fossil fuels to power our motors?

No one would disagree that there has to be better ways to balance food and fuel and reduce our “carbon footprint,” says Gary DeCramer of the Hubert H. Humphrey Institute of Public Affairs. There are issues of “equilibrium” that need to be resolved, he said. “We haven’t done that yet.”

DeCramer, who was formerly Minnesota state director of USDA’s Rural Development office, said the University of Minnesota is in an extraordinary position to tap its various sciences, including the environmental, agronomy, chemistry, economics and human nutrition sciences, to weigh how biofuels may best be developed. That, too, like all matters dealing with hunger and nutrition, will need public support.
A Call to Action

What should our response be to the rising hunger and nutrition problems? It should be obvious that hunger and energy problems are totally related and are global, not just a local or regional problem. Mary Preus, volunteer coordinator at St. Martin’s Table nonprofit restaurant on the West Bank of Minneapolis, explains it well. “We have to be involved at all levels - local, state, national, and international,” she said.

That sums up what Minnesotans have been doing since World War II, and continue to do. The entire discussion of hunger being on the rise comes when Second Harvest Heartland is engaged in a 10-year plan to end hunger in Minnesota¹³, and the Twin Cities Hunger Initiative organization is implementing a five-year program to end hunger locally.¹⁴

All such programs, however, need personal, public, organizational and institutional support. Let’s look at what’s in place, by societal sectors, and note what is needed.

**Personal responses.** – Responding to food drives and fund drives is crucial, insists Zeaske at Second Harvest Heartland. His group, the fifth largest food bank in the nation serving food shelves and feeding programs from Fargo to western Wisconsin counties, distributes 40 million pounds of food annually. Since most food is donated, he said, the real bang for the buck comes from financial contributions. Each dollar donated to Second Harvest leverages $9 worth of food.

Volunteers are needed. About 5,000 volunteers work shifts at the Maplewood warehouse to package 10,000 boxes of foods and donated household items for families each month. Moreover, this arrangement of donated food from companies and food drives, backed up by volunteers, reduce the average cost from about $1.69 per pound of food to just 21-cents per pound.

Community feeding programs, including hot meal or soup kitchen operations at churches and nonprofit neighborhood centers, also need volunteers and financial support.

**Corporate social responsibility.** – This has always been a strength in Minnesota. Companies over time have responded to needs close to home. That Minnesota is a major center of the food industry has meant that food gathering and distribution programs have access to surplus supplies.

That is changing with new technology and business models, however. Zeaske said modern just-in-time manufacturing and distribution systems and better supply chain management means food companies have
less surplus foods to donate. Companies such as Hormel Foods have responded by donating production from an occasional shift to food programs. Supervalu Inc. had executives visit the Maplewood warehouse recently to suggest ways to improve storage and distribution procedures and technology.

Meanwhile, Second Harvest works with dairy foods and other perishable foods companies to recover surplus foods that would otherwise get poured down drains or tossed in landfills. This “12 Baskets” food rescue program was actually envisioned by former Control Data executive Norbert Berg – a contribution from a technology, rather than food corporation. Employees from another Minnesota-based technology company, Medtronic, work turns as volunteers at the warehouse alongside East Metro area church groups and students from North High School in North St. Paul.

It would be difficult to imagine the far-flung food programs in Minnesota surviving without integrating the different sectors. That is especially so for the corporate social responsibility work of Minnesota companies.

This work isn’t just for the local and regional food needs. It should be noted that predecessor cooperatives of what are now Land O’Lakes and CHS Cooperatives were instrumental in forming CARE, VOCA / ACDI and other international relief organizations that use Minnesota and Upper Midwest foods and agricultural and food industry expertise to fight hunger abroad. And along that line, country grain elevators and their farmer-owners put together the first shipment of food aid to the Russians when the Soviet Union was under attack from Nazi Germany before the U.S. entered World War II. Much of this cooperative and international emergency relief work over the years was coordinated with the port of Duluth, which until more recent decades was a major shipper of Food for Peace relief that was gathered, processed and sometimes bagged by Minnesota food and agriculture companies.

**Faith-based organizations.** – Churches and synagogues play major roles in community food shelves, soup kitchens and feeding programs such as meals-on-wheels. Some groups, like St. Martin’s Table in Minneapolis, are ecumenical by design and work from a creed that combines combating hunger with peace and justice issues.

Mary Preus, the volunteer coordinator, said St. Martin’s Table volunteers determine which groups that have feeding-related programs it will support each month. Volunteers serve the meals at the West Bank restaurant, and tip money is then distributed to the designated recipients. Since its founding in 1984, St. Martin’s Table volunteers and customers have made $636,000 available to such groups, now contributing about $2,500 each month.

Originally, monthly recipients of support were about evenly divided among local, national and international programs, she said. But lately, she added, about half of the funds have been designated for supporting local groups.

**Public policy advocacy.** – Congress has recently passed a new multi-year farm bill that contains authorization for domestic feeding programs and foreign food aid. It is not certain how Congress will fund these programs going forward. Will food support systems be considered “entitlement programs” that automatically provide funding for all who qualified, or will these food and nutrition programs operate within fixed budgets, regardless of needs?

Should new federal farm and food policy follow the second path, public advocates for human needs will
need to stay informed of economic and demographic changes, and stand ready to respond - again at both the personal level and in the public sphere. Trends suggest food needs will increase in the year and years ahead given the disparity of incomes amongst the American and Minnesota population, and from continuing drought, warfare and political interferences with food production and distribution abroad. That means future federal and state emergency programs and void-filling legislative responses will be necessary, along with supplemental appropriations.

As an example of how the guns or butter crunch can limit access to feeding programs, Second Harvest Heartland cites a National CSFP Association projected 2008 budget report that noted:

“Of the 87,435 Minnesotans who qualify for assistance through the Commodity Supplemental Food Program in (fiscal year) 2007, only 14,071 will receive assistance because of federal funding limits.”

There is danger that federal budget deficits and the reeling U.S. economy will impose such limits on other federal programs as well, passing down the cost burden to states and local communities. The significance of this is that the USDA food programs are the main source of efforts to reach people in need of food and nutrition support. State programs and nonprofit organizations support and provide ground-level personnel to make the programs work.

Regardless how federal budget and farm bill programs work out, real human needs will be real, and humane responses will be needed.
Where & How to Help

Nearly all nonprofit organizations dealing with hunger in Minnesota need volunteers from time to time, and all need financial support. The following is a list of major hunger support organizations, primarily drawn from Hunger Solutions Minnesota web site. The list does not include hundreds of support programs and organizations operated by Minnesota communities and churches.

Channel One Food Bank – A regional food bank and food shelf for programs in the Rochester area. www.channel-one.org

Great Plains Food Bank – This Fargo-based food bank supplies 230 member food shelves in Northwestern Minnesota and North Dakota. www.lssnd.org/greatplainsfoodbank/index.html

Hunger Solutions Minnesota – An umbrella organization for major hunger relief programs in and near Minnesota. www.hungersolutions.org

Meals on Wheels – This feeding program for senior citizens and house-bound residents operate throughout the state with support from local churches and organizations. An incomplete list of more than 150 Meals on Wheels units in Minnesota communities can be found at www.mealcall.org/meals-on-wheels/mn/index.htm

Minnesota Food Share – A food and fund drive arm of the Greater Minneapolis Council of Churches that helps stock 260 food shelves. www.gmcc.org/foodshare

North Country Food Bank – Based at Crookston, this regional food bank of America’s Second Harvest network supplies feeding programs in Northwestern Minnesota. www.northcountryfoodbank.org

Second Harvest Heartland – This huge food bank, food rescue program and warehousing food bank serves the Twin Cities food assistance programs and more than 1,000 local food programs across the state and in adjacent areas of North Dakota and Wisconsin. www.2harvest.org

Second Harvest North Central Food Bank – This part of the Second Harvest network supplies 145 Northern Minnesota feeding programs from operations in Grand Rapids. www.secondharvestncfb.com

Second Harvest Northern Lakes Food Bank – This Duluth-based food bank supplies 140 charitable feeding programs in Northeastern Minnesota and Northwestern Wisconsin. www.northernlakesfoodbank.org

Minnesota Office of Economic Opportunity – This state office, often shortened to OEO, administers more than $40 million in aid annually to organizations working with poverty, hunger and low-income families in the state. It also funds the distribution of emergency and USDA commodity food supplies, in partnership with Hunger Solutions Minnesota.

U.S. Department of Agriculture – USDA is most often identified as “the farmers’ department” of government, but actual farm programs are a shrinking part of the department’s budget. USDA has become “the people’s department,” operating food safety and inspections services and contributing food and commodities to feeding programs ranging from the Food Support Program (formerly called Food Stamps) to school lunch programs and women and infant children (WIC) nutrition programs.
Sources


5. The Producer Price Index release for June can be found at http://stats.bls.gov/news.release/ppi.nr.htm; the July issued Wholesale Price Index report for June can also be found at the Bureau of Labor Statistics site mentioned above, but a particularly good report on how this plays out on consumers is by Martin Crutsinger of the Associated Press and can be found at http://ap.google.com/article/ALeqM5jsanM66tszKz1zFq0LOG4XvWS7zAD91UH8Q00

6. Price impact information and several helpful reports on hunger can be accessed on the Food Research and Action Center web site www.frac.org.


9. “Frontier” status influenced Minnesotans over time as productivity of farms, forests and mines far exceeded the state population ability to consume. This existence on the end of the pipeline influenced farmers to be founders and suppliers of relief efforts such as CARE, supporters of the Food for Peace program, and founders of cooperatives for reaching distant markets and for combating hunger. An example of this influence can be found in Egerstrom, Lee. “Cooperatives as an Economic Development Strategy,” in Merrett, Christopher and Norman Walzer. A Cooperative Approach to Local Economic Development. Quorum Books. 2001.

10. Abbott, Hurt and Tyner.

11. Ibid.

12. Ibid.


Photos Provided by Second Harvest Heartland