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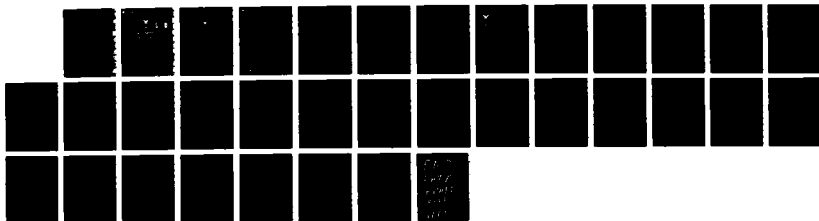
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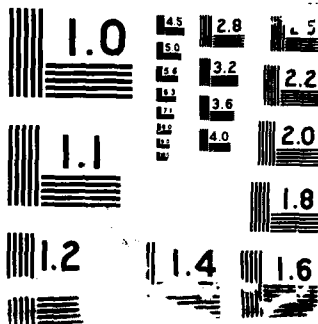
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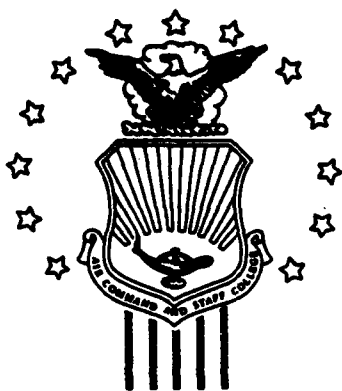




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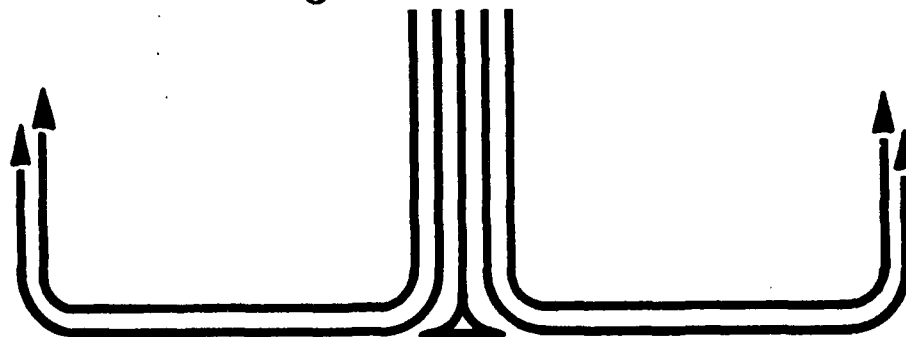
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AIR COMMAND AND STAFF COLLEGE

STUDENT REPORT

CONGRESSIONAL EFFORTS
TO INCREASE BEEF SALES
IN EUROPEAN COMMISSARIES

MAJOR WILLIAM R. BERGER 88-0275
"insights into tomorrow"



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REPORT NUMBER 88-0275

TITLE CONGRESSIONAL EFFORTS TO INCREASE BEEF SALES
IN EUROPEAN COMMISSARIES

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Submitted to the faculty in partial fulfillment of
requirements for graduation.

AIR COMMAND AND STAFF COLLEGE
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19. ABSTRACT (Continue on reverse if necessary and identify by block number) DOD commissaries in Europe sell only beef procured through the European Economic Community. This beef is of high quality and relatively inexpensive. Congress, in an effort to reduce the trade deficit and also to reduce an increasing US surplus of beef, dictated two programs aimed at increasing sales of US-produced beef. The first, a six month test (mandated by the FY86 Defense Authorization Act) provided for sales of US-produced beef at commissary cost plus surcharge. The second, a program mandated by the Food Security Act of 1985, provided US-produced beef to commissary patrons free of charge. Results of the six month test indicated a preference by service-members for European beef. Results of the second program, which came to be known as the "Free Beef Program," indicated that very high costs and subsidies would be required to make US-produced beef competitive with European produced beef.					
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PREFACE

During the 1985-1986 time period, two economic conditions existed in the United States which were of significant concern to Congress. First, our balance of trade with European countries, particularly those in the European Economic Community, was unfavorable. Secondly, the cattle industry was experiencing a slowdown, and a large surplus of market-ready cattle was being forecast. It was felt that a remedy to these problems was urgently needed.

Although there was no "quick fix" perceived by members of Congress, there did appear to be a solution in DOD. For years, Congress had been trying to get DOD to increase its consumption of US-produced beef in the European Theater. This battle, however, had never been won. Now, by way of the Food Security Act of 1985 and the Defense Authorization Act of 1986, reinforcements were on the way to the front line. In this paper, I have discussed these efforts put forth by Congress.

While DOD was the focus, the Department of Agriculture, Defense Logistics Agency, Troop Support Agency-Europe, and the Army/Air Force Commissary Service were also deeply involved. I owe a debt of gratitude to representatives from all these agencies for their support during my research. A note of special appreciation is extended to Lieutenant Colonel Jay Jordan, Office of the Assistant Secretary of Defense for Force Management and Personnel. Colonel Jordan sponsored this project, providing the experience and expertise I lacked.

Finally, many thanks to Major Donna Rosa, my faculty advisor. She was a link with the commissary world. She was also my chief critic and supporter.

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EXECUTIVE SUMMARY

Part of our College mission is distribution of the students' problem solving products to DOD sponsors and other interested agencies to enhance insight into contemporary, defense related issues. While the College has accepted this product as meeting academic requirements for graduation, the views and opinions expressed or implied are solely those of the author and should not be construed as carrying official sanction.

"insights into tomorrow"

REPORT NUMBER 88-0275

AUTHOR(S) MAJOR WILLIAM R. BERGER, USAF

TITLE CONGRESSIONAL EFFORTS TO INCREASE BEEF SALES IN EUROPEAN COMMISSARIES

I. Purpose: To review two Congressional enactments and DOD implementation efforts directed toward increasing sales of US-produced beef in DOD commissaries located in Europe.

II. Problem: During the past several years, the US has experienced a deficit in the balance of trade with many European countries. During the same period, the cattle industry experienced a surplus of beef. This surplus is generally purchased by the Department of Agriculture, and distributed to Federal feeding programs or sold to foreign countries. DOD commissaries in Europe sell large quantities of beef to their patrons; however, the beef is not US-produced. It is purchased from the European Economic Community for reasons based upon quality, convenience, logistics, and low price. Congress, reacting to pressure from constituents, and to help ease the trade balance with Europe, enacted two laws (the Food Security Act of 1985, and the Defense Authorization Act of 1986) which contained provisions aimed at increasing sales of US-produced beef in these commissaries. Although well-intentioned, these efforts did not stimulate a preference for the US beef by those eligible to use the commissaries.

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III. Data: In 1985, Congress, while debating the FY86 Defense Authorization Bill, considered an amendment designed to increase sales of US-produced beef in DOD commissaries located in Europe. Representative Robert F. Smith (Oregon) expressed concern that servicemembers in Europe couldn't buy US beef in commissaries, and because of this, experienced a detriment to his/her quality of life. Congress considered this argument and the fact that US trade balances with European countries were getting further and further into the red (partly because DOD commissaries purchase their beef from the European Economic Community.) After reviewing these factors, and in yielding to pressure from the cattle industry, Congress mandated a test program in the FY86 Defense Authorization Act to determine if there is a preference in the commissaries for US or European beef. The test took place between 1 February and 31 July 1986 in Air Force and Army commissaries. During the test, US-produced beef was sold at cost plus commissary surcharge.

For similar reasons, Congress, while debating the FY85 Food Security Act, considered an amendment which would require the Department of Agriculture to distribute 8 million pounds of surplus beef to DOD. This meat was to be provided to servicemembers, and others entitled to use the commissaries, at no charge - free. However, because the meat was distributed through the commissary system (with no recovery of expenses), the program (which came to be known as the "Free Beef Program") resulted in a management intensive and expensive proposition (even though the Department of Agriculture paid all transportation expenses.)

IV. Conclusions: The test program (mandated by the FY86 Defense Authorization Act) showed that US-produced beef could be shipped to and sold in European commissaries without any loss in quality. However, the European fresh beef outsold the US-produced beef at a greater than 5 to 1 margin. According to an evaluation prepared by the Office of the Assistant Secretary of Defense for Force Management and Personnel (OASD/FMP), the higher European meat sales were attributable to one thing: price. The European beef (the price of which is subsidized by the European Economic Community) is significantly cheaper. For example, a US-produced T-bone steak sold for \$3.99/pound while European T-bones sold for \$1.87/pound.

The "Free Beef Program" (mandated by the FY85 Food Security Act) was met with mixed reactions from commissary patrons. Although well-accepted (because the meat was free), some voiced a concern that the beef should be given to the needy. Although logistical problems were rare, not all commissaries received the beef

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at the same time, and some (in Italy, for example) did not receive beef at all. Because the commissaries do not have extensive storage facilities (they're designed for frequent deliveries from local producers), handling the large quantities dictated by this program caused problems for some of the commissaries. Some small commissaries could not store the meat at all. For legal reasons, DOD was precluded from charging for the beef, and could not recoup any local distribution or processing expenses. In addition, the commissaries were required to continue European beef supply contracts to preclude non-supply if the US beef did not arrive on schedule, and to maintain stocks for military surge requirements.

V. Findings: European fresh beef is of high quality, and is very inexpensive. At the present time, US-produced beef cannot compete effectively with its European counterpart. On a cost plus commissary surcharge basis, the European meat is cheaper by almost a 3 to 1 margin. In the six-month test, commissary patrons purchased and preferred the European meat on a 5 to 1 margin. For US-produced beef to compete, the "Free Beef Program" demonstrated that it must either be given away at no charge, or the cost of procurement, transportation and distribution must be subsidized by the US Government (much the same was as the European Economic Community subsidizes the locally procured beef.) This would bring the selling price down to a level at or near that of the European beef. In addition, OASD/FMP estimated that large expenditures would be required to expand commissary storage facilities. Due to these considerations, Congress should reconsider future efforts aimed at increasing sales of US-produced beef in European commissaries.

Chapter One

INTRODUCTION

"The families of American servicemen can't even buy good 'ol American hamburger." This quote, taken from the 21 June 1985 Congressional Record (19:2), expressed the concern of Representative Bob Smith (Oregon) over the fact that our servicemembers stationed in Europe cannot buy US-produced beef in Department of Defense (DOD) commissaries. Rather, the stores are stocked with European beef purchased from the European Economic Community (EEC). For the over 300,000 men and women stationed in Europe, their dependents and others eligible to use the commissaries, this means annual purchases of over 48 million pounds of European red meat (mostly beef) at an annual expenditure of over 70 million dollars (21:1).

Red meat is procured locally in Europe because it is of high quality, conveniently delivered, and cheap. For these reasons and the fact that shipping expenses from the point of initial processing to European commissaries is high, no system has been created to ship US-produced beef to Europe. Congress has, for years, attempted to require that DOD increase consumption of US-produced beef in Europe, but for the reasons above, DOD has resisted (10:1).

However, the pressure remains for increased consumption of US-produced meat, both from within Congress, and through Congressional constituencies. Lobby groups from the beef industry, and from beef producing states, are concerned with low beef prices and large supplies. Congress is concerned with the large deficit in balance of trade with European nations (the EEC).

In reaction to these pressures, Congress directed DOD to conduct two programs designed to increase sales of US-produced beef. The first was a test in European commissaries, wherein US-produced beef was sold side-by-side with its European counterpart. This test was dictated by the Defense Authorization Act of 1986 (21:1).

In the second program, Congress directed the Department of Agriculture (USDA) to purchase 8 million pounds of surplus meat, and distribute it to DOD. The program, dictated

by the Food Security Act of 1985, provided this large quantity of beef for consumption by servicemembers stationed in Europe, at no cost to DOD. As in the earlier test, the end desired by Congress (in this "Free Beef Program") was an increase in sales of US-produced beef (42:1).

In this paper, I will review the background and history of both the six-month test dictated by the Defense Authorization Act of 1986, and the "Free Beef Program" as required by the Food Security Act of 1985. With regard to the test, I will discuss the legislation, rationale, logistics and support required to implement the Act, and the results of the test. With regard to the "Free Beef Program", I will review the legislative history, legal issues involved, activities of other federal agencies, contracts for procurement and shipping, logistics and distribution requirements, control and accounting procedures, political ramifications, and the results.

Finally, I will draw findings and conclusions regarding the effect of the programs on increased consumption of US-produced beef in European commissaries. Specifically, I will conclude that the six month test showed a preference by commissary patrons for European-produced beef. I will show that the "Free Beef Program" revealed the high costs involved in providing US-produced beef to commissary patrons.

Both the six-month test program and the "Free Beef Program" were enthusiastically administered by the DOD, the Troop Support Agency-Europe (TSA-E), and the Air Force Commissary Service (AFCOMS.) The programs would not have been possible without their concentrated efforts. Although the "Free Beef Program" was by far the more difficult of the two efforts to conduct, the six-month test, sponsored by Representative Smith, provided its share of headaches and concerns for everyone involved.

Chapter Two

THE SIX MONTH TEST

On 21 June 1985, during debate in the US House of Representatives, Congressman Robert F. Smith (Oregon) offered an amendment to the FY86 Defense Authorization Bill intended to increase sales of US-produced beef in DOD commissaries located in Europe (19:1). The amendment, which was later adopted (19:1), read in part as follows:

(a) Feasibility Study and Demonstration Project.
The Secretary of Defense shall study the feasibility of providing beef, pork and lamb produced in the United States for sale in American Military Forces' commissaries located overseas, in volumes equivalent to beef, pork and lamb secured for sale from non-United States producers. Such study-

(1) shall be carried out in consultation with the Secretary of Agriculture; and

(2) shall include a demonstration project in which beef, pork, and lamb produced in the United States shall be stocked in three commissaries on Air Force bases in Europe, and three commissaries located on Army bases in Europe, for a six month period, in volumes equivalent to beef, pork and lamb secured for sale from non-US producers; such US-produced products shall, to the best of the Secretary's ability, be made available at consumer prices which are competitive when compared with non-United States produced red meat products offered for sale in the commissary system.

During his floor discussion, Congressman Smith stated that he was surprised to learn that even though US troop feeding facilities (dining halls, clubs, etc.) use only American-produced meat, commissaries in Europe offer only European-produced meat (19:2). He stated: "The families of American servicemen can't even buy good ol' American hamburger." (19:2)

As mentioned by the Congressman, one of the primary reasons for having commissaries overseas is to provide servicemembers and their dependents (as well as other individuals who are entitled to use the commissary) with a quality of living which approaches that which they were required to leave behind in the United States. He also stated that requiring servicemembers to purchase European-produced meat denies them such a comparable life style (19:2).

One of the reasons commissaries procure locally produced meat is price. As a rule, it is cheaper than US-produced meat. A significant portion of the higher US beef price can be attributed to shipping costs. In addition, the European Economic Community (frequently referred to as the Common Market, or EEC) also heavily subsidizes the European meat industry (19:2). Coupled with (at least until recently) a high value of the dollar in Europe, US-produced meat was not competitive.

Congressman Smith suggested that perhaps it was time to take a new look at the costs associated with shipping US-produced meat to Europe. This would allow for a test of technological improvements in packaging and shipping. He stated that logistical problems which made shipping cost-prohibitive appeared to be conquerable (19:2). In particular, he referred to cryogenically sealed containers.

Although Congressman Smith's amendment was aimed at improving living conditions for our servicemembers in Europe, he did state two other reasons for offering the amendment: First, to improve the US balance of trade. Second, with red meat prices being low and supplies high, the increased sales of US-produced beef would help sustain the strained beef market.

TEST PROCEDURES

The demonstration project (test) required by law took place between 1 February and 31 July 1986. During this period, both US-produced and European fresh beef and pork were sold in comparable cuts (lamb was exempted due to low demand.) The purpose of the test was to "Provide US military families in Europe the opportunity to buy American-produced red meat, and to determine whether US beef and pork can be shipped and stored at the constant temperature needed to ensure excellent quality and adequate shelf life" (38:4). The Defense Logistics Agency (DLA) served as contracting agent, and the meat was supplied by John Morrell & Company. In all regards, arrangements for contracting and shipping were in accordance with standard practices and procedures (38:4). The

commissaries involved gave the US-produced meats first position over European products in each meat case. In every instance, each cut of US-produced meat was given the same amount of space as its European counterpart (38:4). Although there were some losses (spoilage, etc.), this was not allowed to affect the sales price of the US-produced or the European meat. The losses were absorbed equally by AFCEMS and the DLA (38:4).

During the test, both US beef and pork quality were excellent. The US beef lasted over 60 days without loss of quality. US pork lasted over 40 days. During shipping and commissary display periods, all meat was kept well within the required temperature range (38:5). Throughout the test, there was lower demand for pork (as compared with beef). Therefore, some of the US pork was diverted to commissaries in the US in order to avoid loss.

TEST RESULTS

While the test showed that US-produced meat could be shipped to and sold in European commissaries without any loss in quality, it was not successful in prompting servicemembers (and others eligible to use the commissary) to buy the US-produced meat. In fact, the European fresh meat outsold the US-produced meat at a greater than 5 to 1 margin (38:1). Mr. Chapman B. Cox, Assistant Secretary of Defense for Force Management and Personnel (OASD-FMP), wrote former Senator Barry Goldwater, then Chairman of the Senate Committee on Armed Services: "As there is no doubt that US beef is the finest produced in the world, it is obvious the higher European meat sales are attributable to the significant price differential (38:1)." The test results showed the true situation in Europe as far as commissary sales of beef are concerned. Meat products purchased through the European Economic Community are delivered on an as-needed basis, and are delivered to the back door of the commissary at prices at least 50% less than US-produced meat. Because of these frequent deliveries, the commissaries are not equipped to store more than a one week supply of meat (40:1). OASD-FMP estimated it would cost \$30-35 million (about \$15 million for facilities and \$20 million annually for transportation and handling to Europe) to implement a permanent, reliable system of supplying US-produced meat to European commissaries (38:1).

CONCLUSION

One must review a complete recap of the test, prepared by the AFCCMS (38:1-4) to get the complete picture. However, several examples will help show how the sales of US-produced beef compared to sales European beef. During the test period, total sales of beef in the test commissaries totalled 2 million pounds. Of this, 1.7 million pounds were European produced beef, and approximately 300 thousand pounds were US beef. Thus, European beef amounted to about 84% of the total. Representative selling prices for selected cuts were as follows (prices per pound):

<u>CUT</u>	<u>US</u>	<u>EUROPEAN</u>
Rib Roast	\$3.95	\$1.33
T-Bone	3.99	1.87
Sirloin	3.07	1.82
Cubed Steak	2.29	1.48
Ground Beef (75% Lean)	.97	.67

Mr. Cox (DASD-FMP), in concluding his letter to Chairman Goldwater, stated the bottomline: "Therefore, while we fully support the purchase of US products whenever possible, we do not believe that legislation which would limit competition of meat products to US products for European commissaries would be in the best interests of the US Servicemember or the US taxpayer at this time (38:1)."

While this test was concluding, another program intended to increase sales of US-produced beef in European commissaries was nearing implementation (10:1;42:1). This time the charter was the Food Security Act of 1985.

Chapter Three

THE FOOD SECURITY ACT OF 1985

During floor debate in the US House of Representatives in September 1985, several Congressmen expressed concern over the dairy industry. In particular, they were expecting a 500 thousand head surplus in dairy cows (18:2). This represented 200 million pounds of beef (23:2). Approximately 20% of all cattle going to market in the US are dairy cattle, and it was expected that for the dairy industry to survive, it would be somewhat dependent on the red meat market (23:2).

Congressman Bob Smith (Oregon) offered an amendment (21:1-2) to the bill being debated (Food Security Act of 1985, also known as the Farm Bill) which he felt would remedy the situation with regard to the 200 million pounds of red meat at issue. His amendment proposed that the US Department of Agriculture (USDA) use its funds (including funds available through the Commodity Credit Corporation, CCC) to purchase this meat in addition to the meat which USDA would normally purchase in a given fiscal year (23:4). In effect, he was addressing the red meat surplus, and suggesting that it be increased by 200 million pounds. Representative Smith stated that the impact on the Federal Budget would be about \$200 million, speculating that the purchase cost of the beef would be about \$1 per pound (23:5). As clarification, the surplus beef being referred to is provided by the USDA to school lunch programs, military feeding programs, and other government food programs. In some cases, part of the excess surplus is sold overseas.

During additional debate, Congressman Tony Coelho (California) mentioned that he understood DOD and many other federal agencies were increasingly contracting out for red meat, and that perhaps the surplus meat could be used instead of contracting out (23:16). Congressman Smith mentioned that the DOD was still working under a potentially conflicting 1979 law directing that DOD reduce total red meat purchases by 25% (23:19).

On 23 December 1985, the Food Security Act of 1985 (Public Law 99-198) was passed by Congress and signed into law by the President (20:1366). Title I, Section 104 states, in part:

(1) the Secretary of Agriculture shall use funds ...to purchase and distribute 200,000,000 pounds of red meat in addition to those quantities normally purchased and distributed by the Secretary.

(2) the Secretary of Agriculture shall use funds available through the Commodity Credit Corporation to purchase 200,000,000 pounds of red meat ...and to make such meat available-

(A) to the Secretary of Defense, on a non-reimbursable basis, for use in commissaries on military installations located outside of the United States; or

(B) for export under the authority of any law in effect on or after the date of the enactment of this Act;

(3) the Secretary of Defense and other Federal agencies, to the maximum extent practicable, shall use increased quantities of red meat to meet the needs of the programs that they administer.....

Overall, the purpose of this statute was to provide a price support to the dairy industry through the buy-out of US dairy herds, while minimizing any impacts on the beef market (40:1). By virtue of the Agriculture Act of 1949, this surplus of beef could not be used in any way so as to compete with any other US agricultural commodity (40:1). Because of this restriction, DOD participation was limited to installations in Europe (as installations elsewhere, such as in the Pacific regions, use US-produced beef.)

DOD installations in Europe procure approximately 48 million pounds of beef per year, far less than the 200 million pounds mentioned in the Act (40:1). Fortunately, USDA was able to sell a large portion of the beef to Brazil, at about 30 cents per pound (17:1). An invitation to purchase was also extended to the European Economic Community, and some additional purchases were arranged (17:2). At the end of the foreign sales, the USDA was left to distribute approximately 8 million pounds of beef to DOD.

OASD-FMP, working with USDA, DLA, representatives of the Military Departments, and representatives from the Air Force and Army Commissary Services, established a program and guidelines to implement the law. Milestones were established which ultimately resulted in planned shipments of the beef from the US to Europe in early November 1986 (37:1-4). The program was scheduled to last six months.

LEGAL ISSUES

Prior to implementation, there were several legal issues which had to be resolved. As mentioned earlier, the Agricultural Act of 1949 was a factor. The Food Security Act of 1985 stated that the beef would be issued to DOD on a no-cost basis. However, there were concerns over a portion of the 1949 Act which prohibits the use of surplus USDA (CCC) products to compete with or offset the sale of other US agricultural products (40:3).

At first, an option of establishing reasonable prices was considered. This would help avoid creating an artificial demand for the meat, and would be of real benefit to the servicemember in Europe. He/she would get a quality US product at a very low price (40:3). However, the Defense Authorization Act of 1987 contains a change to Title 10, US Code, requiring a standard rate surcharge on all commissary products (40:3). At this point, it was determined by DOD counsel that there was no option but to issue the beef free of charge (40:3;9:2). Since the surcharge is based on the invoice price of the goods, in this case zero, no surcharge could be made. And since a surcharge must be imposed on all goods sold in the commissary, the beef could not be sold (10:2). Another legal problem concerned use of the beef in the Troop-Feeding Program. However, DOD counsel determined the Program did not qualify because it uses only US-produced meat (42:1).

Once the hurdle of how to implement the law was passed, several other problems remained. First, arrangements for procuring and shipping the meat from the US to European commissaries had to be made. Next, plans for distributing the meat to servicemembers had to be created. Finally, a method of accounting was required. In short, the work had just begun.

Chapter 4

LOGISTICS: PROCUREMENT, TRANSPORTATION, DISTRIBUTION

In accordance with the Food Security Act of 1985, the USDA was required to solicit, offer, and execute contracts for the procurement of 8 million pounds of beef destined for DOD commissaries in Europe (20:1366). In addition, it was the responsibility of USDA to arrange for transportation from the point of origin (place of slaughter) to final destination (the commissaries). All costs associated with procurement and transportation were paid by USDA (41:1).

PROCUREMENT AND TRANSPORTATION

Contracting for the procurement of agricultural commodities (the beef, in this case) is governed by federal law and USDA regulations. It is not a simple procedure. Very basically, USDA is required to make an announcement or issue an invitation for an offer. Prospective contractors then must submit an offer which meets all specifications of the invitation, and finally, USDA must accept an appropriate offer (21:A-1). Contracting for transportation involves a very similar procedure.

Not only must a prospective contractor satisfy all requirements of the invitation, the contractor must also certify as to whether it is a small disadvantaged business concern; a women-owned small business; in a labor-surplus area; insure that all facilities are non-segregated; insure that all facilities subscribe to affirmative action for special disabled and Vietnam-era veterans; provide an equal opportunity for all employees; and provide for affirmative action for handicapped workers. Finally, there are also provisions against the use of convict labor (29:10-12; 27:C-4 - D-8).

On 1 August 1986, the USDA (through CCC) invited offers to sell to CCC 8,000,000 pounds of chilled beef carcasses cut into specific market-ready cuts for DOD commissaries in Europe. The contract was to last approximately six months. In addition to other particulars (as described above), the invitation specified that all beef must be vacuum packaged and

chilled to a temperature of 28 degrees Fahrenheit within 120 hours after the day of slaughter, and delivered to the port of export not more than 8 days after the date of vacuum packaging. Also, the invitation required that special certificates of health be completed for meat to be shipped to West Germany (including Berlin) and the United Kingdom (29:1-4; 28:1). The CCC, at approximately the same time, issued an offer for the transportation portion of the program, with similar exacting specifications and requirements.

On or about 24 September 1986, CCC awarded the contract for supplying 8 million pounds of chilled beef carcasses to Western Valley Packing Company, Scottsbluff, Nebraska. Offers had been received from seven bidders, at prices ranging from 42.19 to 64.37 cents per pound more than a base forecast price of approximately 60 cents per pound. Western Valley's bid was 42.19 cents over the base price. As part of the contract, it was agreed that the port for overseas shipment would be Galveston, Texas (31:1).

At the same time, USDA issued a transportation contract to Lykes Lines in Houston, Texas (32:1; 30:1; 33:1). This company agreed to transport the meat to overseas destinations in chilled containers. Unfortunately, after several weeks into the program, Lykes Lines proved unable to provide all the containers needed, and the chilled beef was delivered to other ports, such as Norfolk, Virginia (33:1). Because of this change, adjustments were required in the procurement contract with Western Valley Packing Company, since their contract specified costs at delivery to Galveston, Texas.

The first shipment of beef left the Galveston port early in November, 1986 with scheduled delivery to European commissaries on 15 November (9:1). The early deliveries were planned for the largest commissaries. Later deliveries to smaller commissaries were planned to insure that servicemembers throughout the European theater would have an equal opportunity to obtain the meat. However, because of the time and distance involved in delivering meat to smaller commissaries, and because of the increased costs involved, Air Force and Army commissary officials decided to limit deliveries to only the larger commissaries (9:2). There were other concerns affecting this decision. As stated before, the beef was being shipped in a "chilled" (near frozen, but not fully frozen) state. To ship to more distant locations would require that the meat be frozen. Also, the law specified that the beef could only be given away at commissaries where it would replace foreign beef. Because many small, more distant commissaries sold frozen US-produced beef, distribution there

would violate the law (9:1). Furthermore, the frozen meat was considered to be not as aesthetically attractive as the "chilled" beef. Finally, the smaller commissaries were not equipped to handle large quantities of beef as required under this program (40:1).

DISTRIBUTION

Commissaries in Germany (including West Berlin), Greece, Italy, Belgium, Norway, the Netherlands, Spain, Turkey, the Azores, and the United Kingdom were scheduled to receive shipments of the beef beginning in November, 1986 (7:1). On schedule, the first shipment arrived in Bremerhaven, Germany on 13 November (7:1). Because of minor logistics problems (distance, transportation), commissaries nearest the port of entry (Bremerhaven) received shipments first; those further away did not receive shipments until somewhat later, in some cases (Turkey) as late as January 1987 (7:2). Shipments to Italy and the Netherlands were delayed because both countries required certification that the meat was hormone-free. That particular requirement expired in the Netherlands in December 1986, and shipments were delivered early in 1987. However, the restriction in Italy could not be overcome, by waiver or otherwise. Therefore, no shipments were made to commissaries or servicemembers in that country (7:2 ; 8:1). Final shipments to commissaries which did receive beef began on 1 April 1987, and continued until the surplus beef was fully distributed (4:1). On 15 June 1987, the surplus beef at the last Air Force and Army commissaries was depleted (25:2).

A total of 78 Army and 35 Air Force/ Navy commissaries received shipments. The program was not extended to commissaries in Egypt and Saudi Arabia due to logistics problems (25:2). Because the giveaway program was new and unusual, excess in meat stocks began to develop early on, especially during the fifth and sixth weeks. Thereafter, a change was made wherein new distribution cycles began on the first day of the month, overlapping the last two weeks of the earlier distribution cycle. This change was successful in eliminating excess stock build-up (25:2).

The delivery system and network used within the European theater were developed by the Defense Logistics Agency (DLA-DPSC), in coordination with Army and Air Force Commissary and Exchange representatives (40:1). In effect, it was a direct delivery concept to supply an optimum number of stores. The concept provided that sea-vessel containers would be trucked on pre-determined schedules to the most accessible and largest commissaries with multi-stop deliveries (a truck would stop at several commissaries on a delivery route.)

While this was a management-intensive plan, it did ensure reliable delivery within the shelf life of the meat, while ensuring optimum participation (40:2). The cuts of meat also lent themselves to this delivery plan. Except for pre-packaged ground beef, the meat was transported in carcasses which, in addition to being cheaper than pre-cut products, extended shelf life (40:2).

In addition to commissary participation, it was believed that military clubs in Europe would also be able to receive the meat. However, because the club systems require pre-packaged retail cuts, OASD-FMP decided the clubs would not participate (40:2). In addition, most of the clubs receive US-produced beef under the US Troop Feeding Program, and since the "Free Beef" could not be used in competition against other US-produced beef, club use was precluded (40:3).

Distribution of beef to US Morale, Welfare, and Recreation (MWR) facilities was kept to a minimum through cross-transfer to other Military Services. In all, 16,708 pounds were given to Army MWR and 207 pounds were given to Air Force MWR (25:3).

During the period of distribution of the free beef, November 1986 - June 1987, supply contracts with European beef producers were kept in force at a reduced rate (42:3). This was required in order to supply those commissaries not participating in the program, and as a surge capability should the US shipments not arrive, or should hostilities break out (42:3).

The next problem to be considered (and resolved) by the DOD agencies involved was distribution at the commissaries. It quickly became apparent that a formalized plan would be required between the Troop Support Agency-Europe and the Commissary Service.

Chapter 5

PACKAGING AND DELIVERY

While OASD(FMP), DLA, USDA, Western Valley Packing Company, and Lykes Lines were working out the intricate details of procuring the beef and shipping it to Europe, an agreement between the Commander Troop Support Agency-Europe (TSA-E) and the Air Force Commissary Service (AFCOMS) was being negotiated. This agreement, once finalized, would establish "policies and procedures regarding the issue of meat products made available under the Food Security Act of 1985 to US military commissaries and authorized commissary patrons on a nonreimbursable basis (free) under a systematic, orderly rationing system (36:2)."

The procedure, as outlined in a 4 November 1986 Memorandum of Understanding (MOU) between TSA-E and AFCOMS (36:2) was simple, effective, and workable. Its overall goal was to insure distribution of the free beef on an equitable basis. Its intent was to insure distribution of the free beef to as many servicemembers as possible, utilizing as many commissary locations as possible.

Under the MOU, it was agreed the beef would be packaged by the commissaries in two selections: (1) One selection would contain steak and ground beef; (2) The other selection would contain roast and ground beef. The steaks and roasts would be cut by commissary personnel. Also, some of the ground beef would be prepared by the commissaries (ground beef was also shipped from the US with the beef carcasses.) The two selections would be made available for the commissary patron's choice. The quantities in each selection would be of approximately equal value, each selection weighing between 4-5 pounds (36:3). The market value of each selection would be approximately 5 dollars (40:5).

CONTROL AND ACCOUNTING

An initial concern of AFCOMS and DOD officials was the control and accounting required in an operation of this magnitude. At once, the possibility of hoarding and "black marketeering" arose (10:2). A DOD official, quoted in the

Stars and Stripes newspaper remarked: " Free products are very difficult to control. We had to come up with a system that we could use to account for the meat and that would give everyone a chance to get some. The ration card is a system already in use, and it made the most sense" (10:2 ; 2:1). The MOU executed between TSA-E and AFCEMS established guidelines for use of the ration card. Patrons eligible for the free beef selections would be limited to sponsors, spouses, and other dependents with US Army Europe/US Air Forces Europe ration cards. Each eligible patron would be entitled to one selection during each distribution cycle, approximately once every 45 days, beginning with the first shipment in November 1986 (36:3). Later, the categories of individuals eligible to receive the free beef were enlarged to include certain DOD civilian employees, civilian employees working for some non-appropriated fund organizations, certain DOD contractor employees, some military banking and credit union employees, diplomatic personnel, and university contract employees (1:1). As mentioned earlier, in all cases, it was required that a recipient be a US citizen.

Under the MOU, it became the responsibility of the commissaries not only to issue the beef, but to control and account for its distribution. The following rules were established (36:3):

- (1) The date of pickup would be annotated in ink on the reverse side of the ration card.
- (2) Sponsors would be allowed to use his/her spouse's and/or dependent's card to pick up an entire family entitlement.
- (3) A log would be maintained at the checkout counter. The log would be dated, and would record the following information:
 - a. Printed name of patron.
 - b. Signature of patron.
 - c. Social Security Number of sponsor.
 - d. Weight of selection.
 - e. Signature of cashier.
 - f. A sponsor picking up entitlements for spouse and self would be required to make two entries on the log.
 - g. Accountability at commissaries would be maintained based on tonnage received, surplus meat factors, and issue tonnage recorded on the control logs.

Commissary officials also informed patrons that the beef was subject to laws and regulations governing rationed, tax-free items available to servicemembers overseas, and that selling the meat or, in some cases, giving it away, was strictly restricted (7:2).

On 12 November 1986, OASD-FMP approved the MOU, adding that the ration selections would be issued with no contingencies. That is, they would not be contingent upon the sale of any other commodity or competitive product. A patron would not have to purchase an equal amount of European beef (39:2).

PUBLICITY

Throughout the "Free Beef Program", every effort was made to provide publicity to ensure that those eligible to receive the beef did, in fact, have a chance to receive it. OASD-FMP, through various Public Affairs offices and channels, provided news releases on a frequent basis (43:2). The Stars and Stripes and the Armed Forces Network Radio and Television Service, as well as local news media, all helped to get the word out (25:2).

To all agencies involved, this was a unique program. Free beef, 8 million pounds of free beef, had never been given away before. Management of the program was intensive, and only the efforts of everyone involved made a very difficult program work as well as it did. By 15 June 1987, all the meat had been distributed, and the program was at an end. The results were surprising.

Chapter Six

CONCLUSION

REACTIONS OF COMMISSARY PATRONS

Servicemembers were, in general, pleased with the "Free Beef Program" (25:3). However, The Stars and Stripes, in several articles, and in "Letters to the Editor" columns, reported some dissatisfaction:

Regarding the free beef for US Servicemembers in Europe. Instead of all the bureaucratic hassles and cost of getting the beef to Europe, I suggest Servicemember ask the Department of Defense to keep the beef in the States and give it to the poor and hungry people in the United States(14:1).

I think the program is a disgrace...Is there anybody in the Army starving? I plan on giving it (the meat) to somebody who needs it (15:1).

Others thought differently:

I certainly appreciate it. This is a big help. We live on the economy, and since the dollar went down, we've been under a great deal of stress (15:2).

Being a single parent, every little bit helps...And for the lower enlisted, E-4 and below, Thanksgiving and Christmas are a tough time (15:2 ;13:1).

At some commissaries, arrangements were made for the return of the free beef by those who felt it should go to the needy (11:1). For example, the Army Community Service (ACS) organization at Worms Army Base, Germany had arranged for the commissary to store the returned beef until the ACS could distribute it to needy families in the Army. The commissary, however, met with difficulties in accounting for and storing the returned beef. Thereafter, ACS volunteers were stationed at the commissary to receive the returned beef, and to make distribution from ACS facilities (16:1 ; 42:1).

LOGISTICS

One source of discontent was the fact that not all commissaries in Europe received the beef. In addition, some received beef only after the program had been underway for several weeks or months (5:1 ;12:1). As mentioned earlier, at the outset, DOD had planned to provide frozen beef to all commissaries in Europe (40:3). However, because of the added cost involved in preparing frozen cuts, it was determined that only chilled carcasses would be shipped (42:2). Based upon this decision, it was determined that only the larger, more accessible commissaries would receive shipments (40:1). Thus, not everyone would have access to those particular commissaries. Commissaries in the Netherlands and Italy did not receive shipments at the start of the program because of import restrictions. Although the restrictions were lifted in the Netherlands, they remained in effect in Italy (8:1). At other locations where shipments were delayed, patrons were allowed to "catch up" by receiving two or more allotments at one time (3:1).

Although there were no reported transportation problems within the European theater, there were other logistical problems, or at least the potential for problems at several commissaries. Simply put, most commissaries were not equipped to store the large quantities of meat required during this program. Under ordinary procedures, local beef providers in Europe deliver on an as-needed basis, generally about once each week. At some of the smaller, less accessible commissaries, deliveries are made more frequently because they have no storage space at all. In general, even the larger commissaries were not equipped to receive quantities intended to last over a month (40:1). One way of relieving this storage shortfall would have been to truck the meat to several remote commissaries. However, OASD-FMP estimated that transportation costs of more than 200 thousand dollars would be incurred in the European theater (40:4).

THE EEC

OASD-FMP and the Commissary Service expressed concern over the effect of the "Free Beef Program" on future purchases from the European Economic Community (EEC) (42:20). The EEC heavily subsidizes beef commodities sold to our military commissaries in Europe, and officials were not sure what impact free US-produced beef would have on future EEC decisions (41:1). There was also a concern that, because of an adverse effect on EEC beef prices, the commissaries would be forced to rely on US-produced beef (at much higher prices) for many months after the program ended (42:2).

PROGRAM RESULTS

During the first two and one half months of the "Free Beef Program", the Army commissaries used approximately 4700 additional overtime hours for processing the beef. The Air Force and Navy did not record excess or additional overtime requirements. This cost (approximately \$49,000) was absorbed by the individual Army commissaries. As personnel became more familiar with the program and its requirements, overtime was no longer necessary (25:3). The estimated cost for additional materials required for the program was \$63,243 (25:3).

While the program was underway, the USDA reported the following data (35:1):

- Total Shipments - 24
- Total Pounds Shipped - 7,515,039
- Average Price Per Pound - \$1.4034
- Total Cost Of Meat To USDA - \$10,546,891.75

AFCOMS reported the following data regarding program results (25:4):

- Total Pounds Distributed - 7,312,621*
- Total Pounds to MWR/ACS - 43,915
- Total Pounds Condemned - 14,066
- Total Packages to Patrons- 1,228,951

* discrepancy between this figure and the USDA figure is based on trim/waste

The Defense Logistics Agency reported the following transportation costs (26:1): \$988,873.80.

During the program, Western Valley Packing Company reported that Lykes Lines was not able to provide all the equipment necessary to meet shipment requirements, and accordingly, a portion of the meat was diverted to the East Coast for shipment. For this reason, additional transportation expenses of \$14,443.70 were incurred (33:2).

The Air Force did not maintain demographic data during the program. Army data reported the following (25:2):

- 65% of patrons were E-6 and below
- 22% of patrons were E-7 and higher
- 13% of patrons were civilians

FINDINGS AND CONCLUSIONS ON BOTH PROGRAMS

The "Free Beef Program" was management intensive. Close coordination was required from the point of shipment to the point of delivery to avoid loss due to spoilage, to maintain the temperature of the meat, and to ensure that receiving commissaries (all of which had insufficient storage facilities) were able to receive the meat. European beef supplies were allowed to deplete based upon forecast arrival of the "Free Beef." It was also required that European beef contracts be maintained in effect, to insure a supply of beef in the event that "Free Beef" shipments did not arrive, or arrived late (22:1). Exceptional management practices were required within the commissaries. Butchering, packaging, and distribution were required, necessitating use of overtime during the initial phases of the program. In addition, commissary personnel were faced with maintaining control and accounting records to ensure compliance with the law. This was in addition to their normal duties. There was also a concern that, at the end of the Program, beef procured locally (through the EEC) would be more expensive (based on EEC subsidies.) Finally, the program was relatively expensive. Although incomplete records were maintained, based upon cost figures available, it can be concluded that the total cost exceeded 11 million dollars. This figure represents costs involved in distributing the USDA surplus beef (costing approximately \$1/pound) from the point of slaughter to the commissary patron. When compared to the costs involved in selling the US-produced beef (at commissary cost plus surcharge) during the six month test discussed in Chapter Two, it can be concluded that commissary patrons are concerned with price, showing a preference for the cheaper, European beef. To continue selling US-produced beef in European commissaries (at prices which would attract purchase by patrons, which means prices comparable to those of the European cuts of meat,) would necessitate: use of surplus beef; either continued USDA subsidized purchases/shipping expenses or funding for purchase/shipping through DOD appropriations; massive increases in storage facilities at all commissaries; and increased numbers of employees to handle management of the program. Finally, there could be a potential for political feedback from the EEC, which supplies approximately 48 million pounds of meat annually to our commissaries in Europe (40:1).

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