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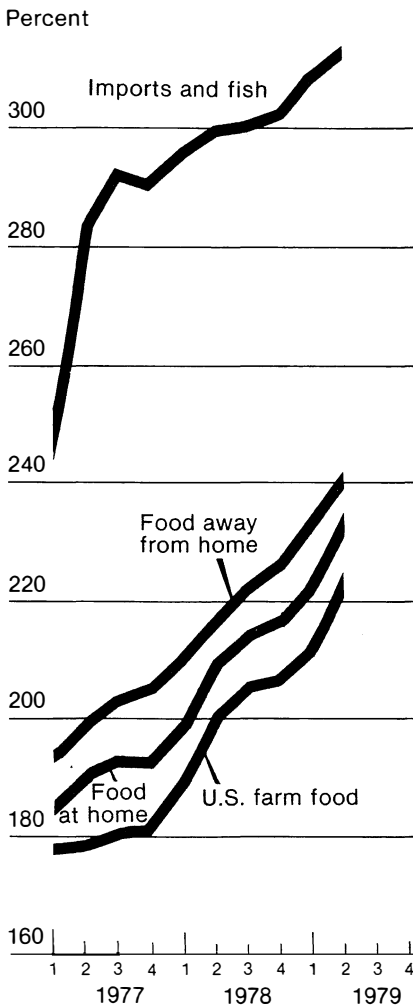
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Domestic Food Programs

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mand for grains will affect these prices only minimally because U.S. production and stocks are both large and the farm value of cereals and bakery products accounts for less than one-fifth of the final retail price. □

Major Components of the CPI-For All Foods



Family Food Programs

Participation in the Food Stamp Program (FSP), the largest domestic food assistance plan, reached 16.6 million people in the second quarter of this year. This is a 14.7-percent increase from the same period in 1978. The increased participation is primarily due to the elimination of the purchase requirement implemented in January 1979 under the 1977 Food Stamp Act.

The value of stamps issued during the second quarter totaled \$1.5 billion, 30.5 percent more than the bonus stamps issued for the same period in 1978. Thus, the average benefit rate has increased due to deduction changes, changed participation standards, and adjustments made to offset rising food costs.

With the removal of the purchase requirement, coupon face value is now the amount of assistance given per recipient. Previously, total coupon issuance included both "bonus" stamps—the actual value of assistance—plus the value of purchased stamps. Eliminating the purchase requirement made food assistance more readily available to those most in need. Recipients now have greater freedom in their consumption decisions since they are not required to use personal income to obtain their food stamps. The potential for error or fraud in the disbursement of stamps is reduced since handling cash is no longer involved.

The 1977 food stamp legislation included a "cap" on annual expenditures for the FSP. The amount for fiscal 1979 was limited to nearly \$6.2 billion. The increased benefits and the increased participation necessitated greater outlays during the year, and the limit would have been reached well before the end of the fiscal year—severely curtailing benefits. These eventualities were averted by congressional authorization of increased appropriations for FY 1979.

By law, food stamp allotments are adjusted twice each year, on January 1 and July 1. Food stamp allotments were increased on July 1 to reflect the 6.8-percent increase in the cost of USDA's "Thrifty Food Plan" (TFP) between September 1978 and March 1979. The 6.8-percent increase in food stamp allotments is less than the rise in the cost of all foods during the same period, which was 7.9 percent, because the TFP selects low-cost foods to achieve a nutritionally adequate diet.

A four-person, eligible household now may receive up to \$204 in FSP benefits per month. The amount of stamps issued to eligible households is based on food costs and participant income. Coupon allotment is determined by subtracting 30 percent of net income from the TFP amount for households of that size. A standard deduction, an earned income deduction, and an excess shelter cost deduction are subtracted from gross income where applicable, making income lower and benefits higher.

A food stamp monitoring system to improve FSP operations has been proposed by USDA in response to a provision of the Food and Agriculture Act of 1977. The system would have three major parts: Quality control reviews to reduce errors; management evaluation reviews to assure better administration; and a planning and evaluation system to correct program deficiencies. States found to have low error rates would receive a 10-percent increase in Federal administrative payments.

Participation in the Special Supplemental Food Program for Women, Infants and Children (WIC) has also increased since the second quarter of 1978. Participation in the same period this year averaged 1.5 million, with Federal expenditures of \$138.2 million. WIC participants receive food from a delivery system operated at

the State level. Participants may receive food through retail purchase systems, home delivery systems, or direct distribution from a local food storage facility.

Both the Needy Family and Supplemental Food components of the Food Distribution Programs have declined in number of participants and cost of commodities in the past year. Just over 60,000 participated in the Needy Family Program, and 100,000 received benefits under the Supplemental Food Program. Schools and institutions have evolved as the primary users of food donations with cash or food stamps accounting for a much larger share of Federal food assistance.

Child Nutrition Programs

USDA currently operates five feeding programs for children aimed at providing day care and school age children with balanced meals. Federal expenditures for these programs during the second quarter of calendar 1979 totaled \$649.7 million, an increase of 5.3 percent from the same period a year ago. Cash payments for the National School Lunch and School Breakfast Programs rose 3.8 and 15.2 percent, respectively. Federal funds for the Child Care Food Program, designed to provide meal service in non-residential child care centers, rose 9.9 percent from the second 3 months of 1978.

Increases in Federal expenditures paralleled sizable increases in participation in the Child Nutrition Programs. In the second quarter of 1979, approximately 3.4 million children participated in the School Breakfast Program, up 41.9 percent from the previous year. Much of this increase may be attributed to the almost 6,000 schools and child care institutions initiating the program during 1978. Approximately 3,000 outlets began providing benefits under the Child Care Food Program in 1978. Participation in the program rose 5.1 percent, to 648,000, in the second quarter of 1979.

Growth in the National School Lunch Program, the oldest of the

Federal Cost of USDA Food Programs (50 States and District of Columbia Only)

Item	1976	1977	1978	1978				1979 I ¹
				I	II	III	IV	
	million dollars							
Food stamps								
Total issued	7818	7435	7482	1926	1861	1878	1817	1446
Bonus stamps ²	4657	4379	4588	1183	1133	1146	1126	1446 ³
Food distribution ⁴								
Needy families	8	12	11	3	3	2	2	3
Schools ⁵	448	529	629	196	183	85	165	200
Other ⁶	33	51	93	28	17	22	25	24
Child nutrition ⁷								
School lunch	1505	1647	1849	562	479	226	582	602
School breakfast	118	147	181	53	49	21	58	59
Special food ⁸	240	237	258	36	55	129	38	42
Special milk	147	151	138	39	35	22	43	37
WIC ⁹	182	281	405	89	99	100	117	126
Total ¹⁰	7337	7433	8151	2190	2051	1754	2155	2540

¹Preliminary.

²For 1975 and 1976, includes Food Certificate Program.

³Reflects elimination of purchase requirement, January 1979.

⁴Cost of food delivered to state distribution centers.

⁵Includes child-care and summer food service programs.

⁶Includes supplemental food, nutrition program for elderly and institutions.

⁷Money donated for local purchase of food. Excludes nonfood assistance.

⁸Includes child-care and summer food service programs.

⁹Special supplemental food program for women, infants and children begun January, 1974. Includes food and administrative costs.

¹⁰Excludes those food stamps paid for by the recipient. Do not add due to rounding.



Child Nutrition Programs, was less substantial—27.2 million children received meals during the second 3 months of 1979, an increase of approximately 4.8 percent over the previous year.

Funding for all programs is based on a system of per-meal reimbursement rates. These national payment factors are adjusted semiannually in accordance with changes in the series for food away from home of the Consumer Price Index for all Urban Consumers (CPI). The continued upward movement of the CPI assures increasingly higher Federal expenditures.

For July 1, 1979, through December 31, 1979, a basic rate of 17 cents will be given for each lunch served under

the National School Lunch Program, up 1.25 cents from the previous rate. Reimbursement for free lunches rose 4.75 cents to 76.25 cents per meal. States are reimbursed 20 cents less than the free lunch rate for each reduced-price lunch served.

States will also receive an additional 15.75 cents in commodities or cash for each meal. Beginning with the 1979/80 school year, the annual adjustment in the commodity donation rate will be based on changes in the Wholesale Price Index for Food Used in Schools and Institutions. The index is computed using five major food components in the Bureau of Labor Statistics' Producer Price Index (cereal and bakery products; meats, poultry and fish; dairy products; processed fruits and vegetables; and fats and oils).

For the 1978/79 school year, USDA purchased approximately \$599.8 million worth of commodities for schools participating in the National School Lunch Program. This included such foods as peas, corn, potatoes, canned and frozen meat, vegetable oil, dairy products, and grain. No cash-in-lieu of commodity payments will be made for the 1978/79 school year, since the amount of donated foods represents 100 percent of the commodity assistance required by law. Excluded from this are the 10 school districts participating in a study to assess the impact of replacing donated foods with cash payments.

The Secretary of Agriculture establishes income poverty guidelines to be used by States as a basis for determining whether a child is eligible for free, reduced-price, or full-price meals. Income eligibility criteria developed by the States cannot be less than the Secretary's guidelines, nor can they exceed 125 percent of the guidelines in the case of free meals. Eligibility for reduced-price meals is established at up to 195 percent of the income poverty guidelines. These in-

come ceilings apply to the School Lunch, School Breakfast, Child Care, and Free Milk Programs administered by the Food and Nutrition Service of USDA.

The Secretary's guidelines are adjusted annually according to changes in the CPI for food away from home. Effective July 1, 1979, children from families of four earning up to \$8,940 per year are eligible for free meals. Eligibility for reduced-price meals is established at earned incomes up to \$13,940 annually for children from four-person families. Last year's rates were \$8,110 annually for free meals and \$12,660 for reduced-price meals.

In addition to providing meals, USDA is responsible for conducting program evaluation research. Such research is critical to decisions made by legislators, program administrators, States, local program managers, and program beneficiaries and involves monitoring current programs, analyzing program adjustments, and assessing new programs.

USDA has recently awarded a \$2-million contract for a major study of the cost and impact of the Child Care Food Program. Mandated by Public Law 95-627 (Child Nutrition Amendments of 1978), the study will determine the program's administrative and food service costs and the relationship of costs to meal quality. Administrative costs will be evaluated in terms of such factors as the types of institutions, the number of children served, and the location of institutions in urban or rural areas.

Current programs will also be assessed in terms of their impact on States, child care providers, children and their providers, and children and their families. In addition, the study will attempt to identify the barriers to program participation, including licensing problems faced by child care institutions and family and group day care homes. □