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The potential for longer lasting and more widely felt price increases from Katrina comes from increases in energy costs. Katrina destroyed oil platforms in the Gulf and disrupted oil delivery and refining, causing the prices of gasoline and other petroleum products to increase sharply.

Higher prices for gasoline and diesel fuel increase farm production costs, but with farm value accounting for about one-fifth of retail food prices, higher farm prices pass through to retail at only a fraction of their increase. Higher energy prices also increase the cost of processing, manufacturing, and transporting foods. However, direct energy and transportation costs account for only 7.5 percent of the overall average retail food dollar. \mathcal{W}

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For more information . . .

The ERS Briefing Room on Food CPI, Prices, and Expenditures: www.ers.usda.gov/briefing/cpifoodandexpenditures/

On average, each dollar spent on food by low-income shoppers generates 37.3 cents of farm cash receipts, though the magnitude varies by food items. About 55 percent of the cash receipts goes to producers of dairy, poultry, and other livestock, while the remaining 45 percent goes to producers of crops, including feed for animals. \mathcal{W}

Kenneth Hanson, khanson@ers.usda.gov

This finding is drawn from . . .

Tracing the Impacts of Food Assistance Programs on Agriculture and Consumers: A Computable General Equilibrium Model, by Kenneth Hanson, Elise Golan, Stephen Vogel, and Jennifer Olmsted, FANRR-18, USDA, Economic Research Service, May 2002, available at: www.ers.usda.gov/publications/fanrr18/



FNS Southeast Regional Office, USDA

Emergency Food Assistance Reaches Hurricane Victims

Food Stamp Program participation spiked in November 2005 at 29.6 million people, up from 25.8 million 3 months earlier. By January 2006, the number of Americans receiving food stamps had dropped to 26.6 million. The sudden jump in caseloads reflects USDA's efforts in get-

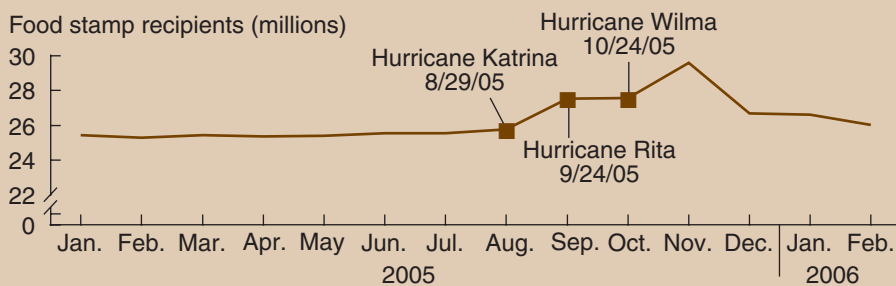
ting food stamps to people in need in the wake of the destruction wrought by Hurricanes Katrina, Rita, and Wilma last fall. This additional food stamp spending also represents an injection of funds into businesses rebuilding after the storms.

When a disaster strikes, people may need emergency food assistance. USDA's Food and Nutrition Service (FNS) delivers this assistance in two ways. Initially, emergency food is provided to shelters, other mass feeding sites, and directly to households. In the weeks following Hurricane Katrina, 20 million pounds of FNS-funded food was delivered to Louisiana, Texas, Alabama, and Mississippi. State food stamp agencies implemented their disaster plans and distributed their warehoused food supplies.

Once grocery stores and other retailers in the affected areas are operating again, FNS issues emergency food stamps through the Disaster Food Stamp Program, a program funded by the Federal Government but administered by the States. Under the program, the Secretary of Agriculture establishes temporary eligibility standards for households who are victims of the disaster. Benefits are provided to households who suddenly need food assistance because of disaster damage to their homes, expenses related to protecting their homes, lost income, or lack of access to bank accounts or other resources. Eligibility verification and reporting requirements are temporarily relaxed. The Secretary can also provide emergency food stamps to existing food stamp households whose food was destroyed in a disaster. Flexibility in program regulations allows States to adjust to the needs of the circumstance. Between September and December 2005, 1.6 million new households received food stamp benefits through the Disaster Food Stamp Program. An additional 676,000 households had benefits replaced due to destroyed food. Benefits issued amounted to \$900 million.

As recipients use the food stamps to purchase food from local retailers, the benefits become revenues for retailers, contributing to the economic recovery of the community. The food spending brings people back to work in both the stores and the local businesses that support the stores, such as wholesalers and delivery companies. This flow of resources helps rebuild businesses and communities. \mathcal{W}

Disaster program enrollment leads to spike in food stamp caseload



Source: USDA, Food and Nutrition Service.

Kenneth Hanson, khanson@ers.usda.gov

This finding is drawn from . . .

The Food Assistance Landscape: March 2006, by Victor Oliveira, EIB 6-2, USDA, Economic Research Service, March 2006, available at: www.ers.usda.gov/publications/eib6-2/