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FRB CHICAGO

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USDA food assistance programs

A majority of the budget for the U.S. Department of Agriculture is for the cost of administering and funding various food assistance programs. The cost of those programs has risen sharply in recent years. Federal outlays for USDA food assistance programs approximated $33.6 billion in fiscal 1992, up more than 50 percent from three years earlier and more than double the level of a decade ago. The factors behind the rise include higher food prices, higher levels of participation in the programs, and higher benefits per participant.

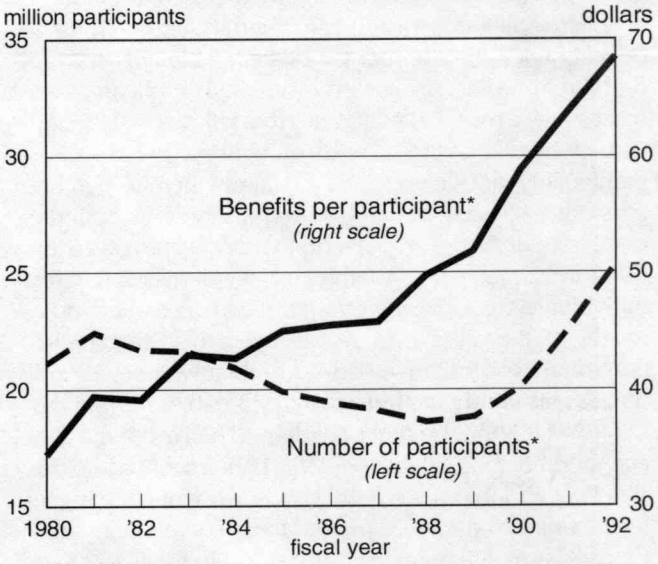
The Food Stamp Program (FSP) is by far the largest of the various food assistance programs. It has also been the fastest growing program in recent years. Federal government outlays for the FSP (excluding benefits to Puerto Rico) exceeded $22.4 billion in fiscal 1992, up nearly 75 percent from three years earlier. Operating mostly through state welfare agencies, the program provides eligible households with food coupons, or stamps, which—with some minor exceptions—can be used only to purchase unprepared foods in grocery stores. It started as a small pilot program in 1961 and was first made available to all states wishing to take part in 1964. Participation grew rapidly in the late 1960s and early 1970s and in 1974 the program became available in all counties. A year later, the annual outlay for the FSP reached the $4.6 billion mark. The cost for the FSP grew rapidly during the late 1970s and early 1980s as benefits were liberalized and as the economy fell into an extended recession. Annual outlays first approximated the $12 billion mark in fiscal 1983, but then held close to that level during most of the remainder of the 1980s. Since 1989, however, the cost of the FSP has grown at a 20 percent annual rate.

The stepped-up growth in recent years is evident in both the number of participants and higher benefits per participant. Eligibility for the FSP is determined by an income standard—which is indexed to the official poverty level—and an asset test. In general, applicants with a gross household income of up to 130 percent of Federal poverty guidelines and with a modest amount of liquid assets would qualify. A four-person household with a gross income of $1,512 or less monthly would qualify under the current income standard. The number of participants in the FSP initially peaked at a monthly average of around 22 million individuals during the recession years of the early 1980s and then retreated to around 19 million during the latter half of the 1980s. Since then the number of program participants has surged to new highs, reaching a monthly average of 25.4 million in fiscal 1992.

The 1990/91 recession and the slackness in the labor market since then contributed significantly to the recent surge in the number of participants. Reflecting this, the level of unemployment has risen from a monthly average of 6.5 million individuals in the fiscal year that ended September 1989 to nearly 9.3 million individuals during fiscal 1992. In percentage terms, the three-year rise in the number of unemployed slightly exceeded that for the growth in the number of FSP participants. Nevertheless, participation in the FSP in fiscal 1992 exceeded the participation level during the recession period of the early 1980s by about a sixth while unemployment levels during fiscal 1992 averaged about a sixth below the still-standing record of fiscal 1983.

Other factors have also contributed to the higher level of participation in the FSP. Some observers believe the increase stems partly from legislative efforts during the latter part of the 1980s that made it easier for the homeless to participate in the FSP. In addition, the Immigration Reform and Control Act in the 1980s opened the FSP to many newly-legalized aliens. Moreover, such things as the rapid

More participants and higher benefits add to cost of Food Stamp Program



*Monthly averages.
SOURCE: USDA

growth in the medicaid program, more active "outreach" efforts, and the growing use of the "one-stop" enrollments for multiple welfare programs have apparently made many people aware of their eligibility for the FSP.

In addition to more participants, the rapid growth in FSP outlays also reflects higher benefits per participant. Each participant received an average of $68.57 a month in food stamps during fiscal 1992, up almost a third from three years ago. Most of the increase—21 percentage points—reflected the mandated indexing of benefits to annual changes in the cost of food. Another small share stemmed from 1989 legislation that boosted benefits 3 percentage points above the formula-levels established by the program. The remaining share of the increase in benefits presumably results from lower average earnings among the participating households and/or a decline in the average household size. By design, the FSP offers higher benefits to participants with little or no income and lower benefits to those with higher incomes. Presently the maximum monthly benefit for a family of four is $370. For households with income, the benefits are scaled down from the maximum by 30 cents for each dollar of "net" monthly income (gross income less an earned-income deduction and a standard deduction for all households and, if applicable, deductions for dependent-care and for excess shelter and medical expenses). Similarly, benefits per person are highest for single-person households and lowest for households with 8 or more members. The maximum food stamp benefit per person currently ranges from $111 for one-person households to $83 a month for households with 8 or more members.

Other major food assistance programs operated by the USDA include the Special Supplemental Food Program for Women, Infants and Children (WIC) and assorted programs for children. The WIC program provides federal grants to state agencies that, in turn, are used to fund supplemental foods, health care referrals, and nutritional education for eligible young mothers and infants and children up to 5 years of age. To be eligible, applicants—in most states—must have incomes that fall below 185 percent of the official U.S. poverty guidelines. In most states, participants receive vouchers that allow them to purchase a monthly package of highly-nutritious foods as a supplement to their diet. Participation in the WIC program during fiscal 1992 reached a monthly average of over 5.4 million individuals, up 32 percent from three years earlier and nearly 2.5 times the level of a decade ago. The participants in fiscal 1992 included 1.2 million women, 1.7 million infants (or about 1 out of every 3 babies born in the U.S.) and 2.5 million other children. The cost of the average monthly food benefit per WIC participant has held steady at about $30 since the late 1980s while the higher level of participation has pushed total federal outlays for the WIC program to nearly $2.6 billion in fiscal 1992 compared to $1.9 billion in 1989.

USDA outlays for food assistance programs

Fiscal year	Food stamps	Food distribution	Women infants, & children	Child nutrition	Total
	(million dollars)				
1980	9,206	195	728	4,034	14,243
1981	11,225	239	872	4,221	16,636
1982	11,038	460	949	3,733	16,275
1983	12,676	1,353	1,126	4,062	19,303
1984	12,408	1,488	1,388	4,266	19,634
1985	12,532	1,439	1,489	4,391	19,936
1986	12,462	1,381	1,583	4,626	20,130
1987	12,461	1,313	1,680	4,883	20,421
1988	13,200	1,073	1,798	5,041	21,182
1989	13,840	731	1,911	5,215	21,874
1990	16,428	732	2,122	5,500	24,874
1991	19,732	690	2,301	6,119	28,938
1992	23,445	701	2,591	6,767	33,607

Source: U.S. Department of Agriculture.

A variety of programs are designed to provide food assistance primarily to children. Both the National School Lunch Program (NSLP) and the School Breakfast Program (SBP) provide federal cash reimbursement to eligible schools and non-profit child-care institutions that serve food to students. The NSLP also provides certain entitlement and bonus foods to schools. Any child at a participating school can purchase a meal through these two programs. Children from families with incomes at or below 130 percent of the poverty level are eligible for free meals while children from families with incomes between 130 and 185 percent of the poverty guideline receive the meals at a reduced price (no more than 30 cents for breakfast or 40 cents for lunch). Children from families with incomes over 185 percent pay full price for the meal. Under the NSLP, the reimbursement rates to most participating schools are currently $1.695 for each free meal served, $1.295 for each reduced-priced meal, and $0.1625 for each full price meal. In addition, schools receive the equivalent of 14 cents in entitlement foods, or cash-in-lieu of entitlement foods for each meal served under the NSLP. The standard reimbursement rates under the SBP are 94.5 cents, 64.5 cents, and 18.75 cents for each free, reduced-price, and full price meal served, respectively. For schools deemed to be in "severe need", the reimbursement rates on free and reduced-price breakfasts are boosted an additional 17.75 cents.

About 95 percent of all public schools, and 60 percent of all children in public schools participate in the NSLP. The total number of meals served under the NSLP rose only 2.4 percent over the last three years while the number of meals served under the smaller, but faster growing SBP soared 29 percent. On an average daily basis, some 22.8 million meals were served under the NSLP during the 1991/92 school year while nearly 4.6 million meals were served daily under the SBP. About 46 percent of the meals served under the NSLP were "free" and 7 percent were at a "reduced price." A much larger majority (83 percent) of the

meals served under the SBP were "free" and another 5 percent were served at a "reduced price." The proportion of free and reduced-price meals has trended upward in recent years, adding marginally to the higher program costs. Federal outlays for the NSLP approached $4.6 billion in fiscal 1992, up from less than $3.8 billion three years earlier. The cost of the SBP reached nearly $800 million in fiscal 1992 versus just over $500 million in fiscal 1989.

Gary L. Benjamin

Cattle numbers post modest gain

U.S. cattle numbers posted an annual gain for the fourth consecutive year in 1992, according to a recent USDA report. At 100.9 million head, the number of cattle on farms as of January 1 was up a little over 1 percent from a year ago yet still only 3 percent above the cyclical low registered in 1989. While beef production is expected to increase modestly in 1993, population growth will likely leave per capita production little changed from last year's relatively low level.

The report indicated that cow numbers showed only a marginal gain. Dairy cow numbers were off 1 percent, extending the downtrend that started in 1986. Conversely, the number of beef cows rose for the fourth consecutive year, posting a gain of 1 percent from last year. Despite the relatively flat growth in cow numbers, a slight improvement in calving rates helped push the 1992 calf crop to 39.3 million head, nearly 1 percent higher than the previous year and about the same as two years earlier. If calving rates stay constant, current cow numbers suggest the calf crop will grow less than 1 percent in 1993. However, the number of beef and dairy replacement heifers rose 1 percent and 7 percent, respectively, which suggests that moderate expansion remains on the horizon.

The number of calves weighing less than 500 pounds was down slightly from a year earlier. In contrast, the number of steers and heifers weighing 500 pounds or more was up 2 percent and 6 percent, respectively. Reflecting these numbers, the supply of feeder cattle outside of feedlots as of January 1 was little changed from a year ago, while the number of cattle on feed as of the beginning of the year posted a year-over-year gain of 6 percent.

The number of cattle on farms in the states comprising the Seventh Federal Reserve District at the beginning of the year stood at 12.8 million head, little changed from a year earlier and equivalent to 13 percent of the U.S. total. Among individual District states, cattle numbers were up 2 percent and 1 percent in Michigan and Iowa, respectively. In contrast, cattle numbers were down 1 percent in Wisconsin and unchanged in Indiana and Iowa. The number of beef cows held steady, as moderate declines in Indiana and Illinois were counterbalanced by gains in the other three states. The number of cattle on feed rose about 1 percent for the District, with Michigan registering a gain of 5 percent. Illinois recorded a modest decline and numbers in the other 3 states were essentially unchanged.

At 32.9 million head, commercial cattle slaughter rose nominally last year, marking the first annual upturn since 1986. Beef production rose almost 1 percent last year as the proportion of steers in the slaughter mix rose modestly. So far this year, beef production has lagged the 1992 pace. But USDA analysts are expecting modest year-over-year gains in the second quarter and throughout the second half.

Omaha choice steer prices averaged about $75 per hundredweight during the fourth quarter of 1992, nearly 9 percent higher than a year earlier. Prices continued to rise during the current year, averaging between $79 and $80 per hundredweight during January and February as both slaughter numbers and dressed weights declined. Furthermore, the increase in hog slaughter expected for early 1993 failed to materialize, providing additional support for cattle prices. With prospects for a seasonal increase in the number of cattle moving to market, prices will likely come under pressure during the spring and summer quarters.

Cattle feeders in Iowa experienced a relatively profitable year in 1992, according to budgets compiled by Iowa State University. The net return to feeding a 650-pound steer improved over the previous year largely due to the lower purchase cost of cattle sold in the second half. Net returns received another boost late in the year from a decline in feed costs that stemmed from the record-large corn harvest and lower corn prices. Consequently, breakeven prices averaged near $70 per hundredweight during the fourth quarter and started the current year near that level. Given the purchase cost of cattle currently on feed and continued moderate feed costs, cattle feeders can reasonably expect positive returns through the first half of 1993.

Mike A. Singer

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Selected agricultural economic indicators

	Latest period	Value	Percent change from Prior period	Year ago	Two years ago
Prices received by farmers *(index, 1977=100)*	February	139	0.0	–3	–4
Crops *(index, 1977=100)*	February	116	–0.9	–10	–5
Corn *($ per bu.)*	February	2.02	–0.5	–18	–13
Hay *($ per ton)*	February	77.70	3.5	9	0
Soybeans *($ per bu.)*	February	5.50	–1.4	–2	–3
Wheat *($ per bu.)*	February	3.31	–1.8	–12	37
Livestock and products *(index, 1977=100)*	February	160	0.6	3	–4
Barrows and gilts *($ per cwt.)*	February	44.20	5.2	8	–16
Steers and heifers *($ per cwt.)*	February	79.40	0.9	4	–2
Milk *($ per cwt.)*	February	12.30	–1.6	–5	6
Eggs *(¢ per doz.)*	February	61.5	–3.5	13	–10
Consumer prices *(index, 1982-84=100)*	February	143	0.4	3	6
Food	February	140	0.1	2	3
Production or stocks					
Corn stocks *(mil. bu.)*	December 1	7,902	N.A.	21	14
Soybean stocks *(mil. bu.)*	December 1	1,834	N.A.	3	9
Wheat stocks *(mil. bu.)*	December 1	1,589	N.A.	10	–17
Beef production *(bil. lb.)*	January	1.82	–1.7	–11	–7
Pork production *(bil. lb.)*	January	1.44	–5.8	–6	3
Milk production* *(bil. lb.)*	February	10.0	–7.1	–2	1
Receipts from farm marketings *(mil. dol.)*	November	17,410	–15.1	–3	–12
Crops**	November	9,781	–10.8	–3	–2
Livestock	November	7,327	–5.2	–2	–8
Government payments	November	302	–83.3	–7	–82
Agricultural exports *(mil. dol.)*	December	3,787	–2.5	–3	20
Corn *(mil. bu.)*	December	173	–10.8	36	22
Soybeans *(mil. bu.)*	December	74	–12.3	–23	32
Wheat *(mil. bu.)*	December	116	2.0	0	90
Farm machinery sales *(units)*					
Tractors, over 40 HP	February	3,501	–24.6	24	–3
40 to 100 HP	February	1,893	–20.9	9	–3
100 HP or more	February	1,608	–28.5	48	–2
Combines	February	374	–43.8	15	–12

N.A. Not applicable
*21 selected states.
**Includes net CCC loans.

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