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IMPACT OF LEGISLATIVE CHANGES IN THE
FOOD STAMP PROGRAM ON HIRED FARMWORKER FAMILIES

by

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Economics, Statistics, and Cooperatives Service
U.S. Department of Agriculture

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ABSTRACT

In September 1977, legislation was enacted to make major reforms in the Food Stamp Program. Two of the more significant changes included the elimination of the purchase requirement for stamps and the adoption of more rigorous financial criteria for eligibility. Using data from the 1975 Hired Farm Working Force Survey, these program modifications were examined to determine their impact on the eligibility and participation of hired farmworker families. Elimination of the purchase requirement will increase the food stamp participation of some eligible families while adoption of new eligibility criteria will considerably reduce the population of eligible farmworker families. Data reviewed here suggest that these program modifications may have different effects on various subgroups and that future research should closely examine these differential impacts.

IMPACT OF LEGISLATIVE CHANGES IN THE FOOD STAMP PROGRAM
ON HIRED FARMWORKER FAMILIES

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INTRODUCTION

In September 1977, the Food Stamp Act of 1977 (P. L. 95-113) was enacted to make major reforms in the Food Stamp Program. Two of the more significant changes emerging from this legislation included (1) elimination of the purchase requirement for stamps and (2) adoption of more rigorous financial criteria for eligibility. This paper examines the possible effects of these changes on one segment of the rural population--hired farmworker families.

Hired farmworkers and their families are generally identified as one of the more economically disadvantaged groups in the Nation. The median family income of these families in 1975 was \$8,522, or 28 percent below total U.S. median family income (\$11,800). Per capita income differences are even greater since farmworker families are generally larger than others; almost 40 percent of the hired farmworker families had at least 5 members compared with only 15 percent of all U.S. families. In addition, for those migrant farmworkers and their families who travel long distances to do farmwork, the problems of low income are often accentuated by greater travel costs and instability of earnings
(7,10,18) ^{1/}

^{1/} Numbers in parentheses refer to references on page 16.

Food stamp assistance can be an important food and income supplement for low-income families. One recent study (11) indicates that about 207,000 hired farmworker families, or 10 percent of the total, participated in the Food Stamp Program in November 1975. This was almost twice the participation rate of all U.S. families in that month (6 percent). Thus, the new program revisions introduced in the Food Stamp Act of 1977 may have a significant impact on the eligibility and program participation of hired farmworkers and their families. Recent Congressional hearings (3,4,19) have addressed the effects of these legislative changes on the total population, often with particular attention to the elderly, but little research has been done to assess the impact on other population groups. This paper takes a step toward filling that research need.

The provisions of the Food Stamp Act of 1977 will not go into effect before the end of 1978, and the administrative guidelines and regulations presently being formulated may eventually alter the current interpretation of the Act. This adds to the difficulties of impact assessment. While simulation models and careful analyses of the legislative modifications can provide a general indication of the magnitude, direction, and nature of program changes, the most accurate and reliable assessment will come from administrative and survey data collected after the Act is implemented. Until this time, evaluation of program changes will be largely speculative.

DATA AND CONCEPTS

The data used in this paper were obtained in December 1975 from the annual Hired Farm Working Force survey. This survey is conducted for the Economics, Statistics, and Cooperative Service,

U.S. Department of Agriculture, by the Bureau of the Census as a supplementary part of the Current Population Survey (CPS).

Information was collected from approximately 47,000 sample households in the United States of which about 1,300 contained persons doing hired farmwork. Weighted sample results are expanded to give estimates of the total civilian noninstitutional U.S. population who did hired farmwork at some time during 1975. 2/

The 1975 survey was used to gain insights into the food stamp participation of hired farmworker families in November 1975. For purposes of comparability, all references to the operation of the Food Stamp Program are based on 1975 statistics and program regulations in effect during that month. These references are generally for illustrative purposes and the administrative changes in the Program that have occurred over the last few years will not significantly alter the discussion.

Hired farmworkers include all persons 14 years of age and over who did farmwork 3/ for cash wages or salary at some time during the year, even if only for one day. A farmworker family is defined here as any family that contained at least one member who did hired farmwork in 1975. Single person households were designated as families.

THE FOOD STAMP PROGRAM

Since 1965, the Food Stamp Program has offered assistance to economically needy families by providing them with coupons to be exchanged for food at certified retail and wholesale food outlets.

2/ All statements of comparison appearing in the text, but not necessarily in the tables, are significant at the 1.6 standard error (90 percent) level unless otherwise indicated. For additional information on sample design and reliability of estimates see (11, 13).

3/ Farmwork for cash wages includes the production, harvesting, and delivery of agricultural commodities, as well as management of a farm if done for cash wages. Exchange work, work done by family members without pay, custom work, or work done exclusively for pay in kind were not included.

Although originally designed to increase food consumption and improve nutrition, the program also functions as an income supplement by freeing money for nonfood purchases. To be eligible to receive food stamps, families must meet certain criteria, including an income test, an asset test, and a work requirement. The amount of assistance provided to eligible families varies inversely with family income relative to family size. In November 1975, the Food and Nutrition Service (FNS) reported approximately 5.3 million families participating in the program (11).

Throughout its history, there has been much controversy and debate over administrative procedures and adequacy of coverage of the Food Stamp Program. With the passage of the Food Stamp Act of 1977, various reform measures were introduced to simplify operating procedures reduce program abuse, and increase the participation of the most economically needy families. Two of the more dramatic changes in the Program include the elimination of the purchase price for stamps and the adoption of the Federal poverty income guidelines (with annual adjustment to the Consumer Price Index) as criteria for program eligibility.

Elimination of the Purchase Requirement for Stamps

Prior to the 1977 legislative changes in the Food Stamp Program, most food stamp recipients were required to purchase their stamps, although families with very low or no income received their stamps free. The amount of assistance provided to eligible families and the required purchase price for the coupons varied by family income and

size (Table 1), The difference between the market value of the stamps (the allotment) and the amount paid for the stamps (the purchase requirement) represented the Federal transfer (bonus food stamps).

Table 1 about here

For example, in 1975, a 4-person family with a monthly net income of \$50 to \$60 paid \$10 to receive \$162 worth of food coupons--a bonus value of \$152. The same size family near the eligibility cut-off of \$540 to \$570 in net monthly income paid \$138 for \$162 worth of coupons--a bonus value of only \$24. The average purchase requirement in 1975 was \$57; the average bonus value was \$71 (17). No family was required to expend more than 30 percent of their family income for stamps. The average purchase requirement in 1975 was 28.6 percent of the net monthly income, although these proportions varied among different family groups (17).

The Food Stamp Act of 1977 eliminates the requirement that families purchase food stamps. Using the standards in effect in November 1975, the lower-income family of four noted above would now receive the Federal transfer of \$152 in bonus food stamps instead of paying \$10 for \$162 worth of food coupons. The higher income family of four would receive at no cost the bonus value of \$24 in stamps.

This program revision grew out of increased concern over the low participation rates of many eligible families. According to separate studies by the Department of Health, Education, and Welfare (15) and the University of Wisconsin's Institute for Poverty Research (6),

less than 40 percent of all persons entitled to food stamps received them in 1974. The participation rates varied by States ranging from 15 percent in Wyoming to 56 percent in California. Also, the Food and Nutrition Service estimates that approximately 55 percent of the Nation's 10.4 million eligible households participated in the program in 1975 (2). Another study (1) simulates the number of eligible households and their participation rates and shows that 49.6 percent of all households estimated to be eligible in April 1977 would participate in the program.

Data from the 1975 hired farm working force survey suggest that only 27 percent of those families who were eligible (based on family income and size alone) received food stamps in November 1975.^{4/} This participation rate varied among different groups of hired farmworker families. About 21 percent of the White families and 40 percent of the Black families who were income eligible participated (differences were significant at the 90 percent confidence level). While the percentages of eligible Hispanic farmworker families who participated (27 percent) did not differ significantly from the other groups, the figure still suggests that almost three-fourths of the eligible Hispanic families did not receive stamps.

Some of these families would not be eligible to participate even though their family income and size meet the Food Stamp Program income criteria. Program regulations such as maximum allowable assets, for example, can limit participation. One recent study estimated that about 13 percent of all households eligible by income criteria are not eligible because of the amount of owned assets (4).

^{4/} Family income data available from the December CPS were collected in broad intervals rather than as a single-dollar estimate, and these data could not be compared directly with the FNS income criteria. Therefore, reasonable approximations to these thresholds were made to estimate eligibility. This measure is a conservative indicator of program eligibility and probably underestimates the actual size of the eligible farmworker population. Despite its limitations, the data strongly suggest that large numbers of income eligible families are not

Work registration requirements can also exclude some otherwise eligible families from participation. However, these program requirements cannot be viewed as the sole determinant of low participation rates of hired farmworker families.

Inability to meet the purchase requirement is probably a major factor contributing to the non-participation of eligible farmworker families.^{5/} Numerous studies have identified the purchase requirement as a major disincentive to program participation, noting that many low income families simply do not have sufficient cash available to purchase stamps once or even twice a month (5,19,20). Their monthly incomes can fluctuate considerably and large proportions of income are often committed to relatively high fixed expenditures like rent, fuel and utilities. The income of many farmworker families, especially those who migrate to do farmwork, varies considerably from month to month depending on the availability and duration of farm jobs or supplemental nonfarm work. Inadequate funds are especially a problem for large families with large purchase requirements, and farmworkers families tend to be larger than many other families. Almost 49 percent of the farmworker families participating in the program had at least 6 members compared to only 19 percent of all food stamp families. Although families pay no more than 30 percent of their net monthly income for stamps, this still represents a relatively large cash expenditure for many low-income farmworker families.

^{5/} Other factors affecting the non-participation of eligible families include lack of knowledge about the program (6); transportation problems (4, 19); stigma attached to welfare participation (6, 19); and negative attitudes toward welfare programs and the Federal Government (20).

Data are not available to measure the actual effect of eliminating the purchase requirement on the number of farmworker families participating in the program. However, the direction of the effect would certainly be to increase the participation of eligible families by removing a major disincentive. There is nothing inherent in this program change which would negatively depress the participation rates of eligible farmworker families. FNS estimates that elimination of the purchase requirement would increase the number of food stamp recipients by 20 percent or .9 million households. Other studies estimate that removal of the purchase requirement will increase program participation between 10 and 20 percent (2). Assuming that the elimination of the purchase requirement has the same relative impact on farmworker families as on others, as many as 20,000 to 40,000 additional families might participate in the program.

In addition, some of the social stigma associated with purchasing stamps from banks, post offices and other public vendors will be removed since stamps can now be received through the mail. This will not only ease the problems of transportation to buy stamps experienced by many elderly and rural people, but will also reduce the potential for abuse by cash collecting agencies. Elimination of the purchase requirement will also simplify program administration and reduce the number of stamps in circulation, thus cutting printing, distribution and storage costs.

Removal of the purchase requirement may also radically change the original intent of the program especially for higher income participants. The purchase requirement was originally implemented as a means to improve nutrition and increase food consumption by

requiring families to spend a specified amount of money (defined as an amount adequate to maintain a nutritionally balanced diet) on food items. For example, each family of four regardless of net income should have been spending \$162 per month on food to obtain a nutritionally adequate diet in 1975. While there has always been an element of income supplementation in the program, elimination of the purchase requirement places a greater emphasis on income supplementation in general rather than increased food consumption and nutrition.

With the program change, recipients are provided an opportunity to obtain a nutritionally adequate diet, but there is no longer any assurance that participants will spend a greater proportion of their income for food than they would without program assistance. Instead, the new program provides them with an income supplement by freeing some income previously spent for food items. The amount of freed income would be the difference between the family's purchase requirement and the amount of money needed to achieve the self-determined family consumption levels after receiving the bonus coupon. This allows greater flexibility and individual discretion in the food and non-food family expenditures.

For example, prior to elimination of the purchase requirement, a "higher income" family of four with a net monthly income of \$540 would have spent \$138 of its own money to buy \$162 worth of food coupons (table 2). Under the new legislation, this family would continue to receive the \$24 in bonus coupons but could now exercise greater individual discretion in spending the \$138 previously used to purchase stamps. This family can set its own food expenditure level anywhere below the \$138 previously required and can free the

difference for non-food purchases. This is particularly true for the higher income participants. However, families with very low incomes paid only a small amount for stamps and thus elimination of the purchase requirements frees relatively little income for non-food items. For these families, the Food Stamp Program operates to specifically increase food consumption rather than generally supplement income. For those who view the purpose of the Food Stamp Program as increasing nutrition and improving diet rather than eliminating poverty, abolition of the purchase requirement remains a controversial issue.

Table 2 about here

Eliminating the purchase requirement should effectively increase program participation but would considerably increase budget outlays if other adjustments to the program were not also made. One of these trade-offs is the adoption of more rigorous financial eligibility criteria which reduces the size of the eligible population.

Adoption of the Poverty Line as Criteria for Program Eligibility

Prior to legislative changes of 1977, families were required to pass an income test based on the family size and income criteria set by the Secretary of Agriculture (table 3). According to previous program regulations, families could deduct a number of household expenditures from their gross monthly family income before it was used to determine eligibility. These deductions included the earnings of members under age 18, 10 percent of the earnings of the adult members (not to exceed \$30), mandatory payroll deductions, union dues, total medical costs in excess of \$10, tuition and mandatory

educational fees, child care necessary for employment, court ordered support and alimony payments, various other unusual expenses, and shelter costs in excess of 30 percent of income after all other deductions were claimed. The average amount of deductions claimed per household was about \$77 in September 1975 (17).

However, public outcry over large numbers of "high income" families allegedly participating in the Food Stamp Program and concern for rising program costs contributed to the adoption of more rigorous income criteria. These criteria are based on the annual nonfarm poverty guidelines set by the Office of Management and Budget (OMB) with an additional adjustment factor added by FNS to reflect the most recent changes in the Consumer Price Index (CPI). The OMB guidelines announced in May of 1978, for example, were based on the average CPI during the previous calendar year. Since these guidelines would be in effect for the Food Stamp Program from July 1978 through June 1979, there could be a two-year lag by the end of the period. Therefore, FNS adjusts the OMB thresholds using the percentage change between the average CPI in 1977 and the CPI for March 1978 to insure that these guidelines are the most current. These income standards are then applied to household income after deductions and exclusions to determine eligibility. The adjusted guidelines as they would have appeared in 1975 are shown in table 3.

Table 3 about here

These adjusted Federal poverty thresholds are lower than previous family size and income cut-offs, thus establishing more rigorous criteria for eligibility. This will result in a considerable reduction of the number of families eligible to receive food stamps.

Data from the Hired Farm Working Force Survey can provide a general, albeit crude, estimate of differences in eligibility and characteristics of farmworker families under the previous FNS income criteria and the new OMB limits. These data show that under the FNS criteria, approximately 32 percent of almost 2 million farmworker families were eligible to receive food stamps based on family income and size prior to deductions in 1975. Under the OMB criteria, only 26 percent would be eligible. The number of eligible farmworker families would decrease by 17 percent under the new income criteria. Additional data from the December CPS suggests that under the FNS criteria, 17 percent of all families were eligible based on family income and size compared with 15 percent under the OMB criteria. This represents a reduction of 12 percent in the number of eligible U.S. families. These data suggest that changes in the eligibility criteria will impact relatively more on hired farmworker family eligibility.

Changes in the income criteria can have an effect on the composition as well as the number of farmworker families eligible to participate. An examination of the characteristics of hired farmworker families participating in the program in November 1975 shows that the majority were Hispanics or Blacks and Others (54 percent), Southern residents (68 percent), nonmigratory (96 percent), and had family incomes of less than \$5,000 (60 percent). Almost half had at least 6 family members and 29 percent were headed by females (table 4).

Table 4 about here

Table 4 shows that as family income decreases, the farmworker population is more likely to be Hispanic, Black, or other minorities,

female-headed, and residing in the South. Also farmworker families become smaller in size as income declines. They are increasingly more likely to be headed by a farmworker, and lower incomes are associated with a lower educational level of the household head. The median education of the head dropped from 12.7 years in families with incomes of \$10,000 and over to 8.4 years in the lower income families. Since the OMB criteria are more rigorous than previous income levels and generally serve to identify a more economically needy group, a greater proportion of eligible, as well as participating, farmworker families will be characterized by the above attributes.

Two additional program revisions should be mentioned in conjunction with a discussion of the implementation of new income criteria: elimination of categorical eligibility and adoption of a standard deduction.

Elimination of Categorical Eligibility

Before the 1977 legislative changes, families receiving public assistance or Supplemental Security Income (SSI) were automatically eligible to participate in the program without having to meet the income test. Under the new program, OMB criteria will apply to all families regardless of public assistance status. This may reduce the size of the eligible population, although many public assistance families will still be eligible to participate based on their income alone. This program change will probably impact less on farmworker families than others since a smaller proportion were categorically eligible. Only a third of the farmworker food stamp families in November received public assistance during the year. CPS data collected for July 1975 indicate that 60 percent of all food stamp families received public assistance (14).

Adoption of a Standard Deduction

The Food Stamp Program legislative revisions specify that a standard deduction will be used in determining eligibility instead of the more complicated multiple deduction procedure used previously. In addition to the standard deduction, currently set at \$60, maximum level deductions will also be allowed for dependent care and shelter costs, not to exceed \$75 per month when combined. Under the proposed regulations, all gross earnings, training allowances, self-employment income and certain general assistance payments will be combined and an overall deduction of 20 percent of gross earnings will be made. These revisions will reduce the possibility of error, decrease administrative costs and paperwork, and simplify the certification process. In general, the increased simplicity of the standard deduction should encourage participation of many eligible families who did not previously apply for benefits. However, at the same time, it may also eliminate some families from participation in the program, particularly those with high incomes who generally claimed larger deductions from their monthly income.

SUMMARY

The Food Stamp Act of 1977 was designed to simultaneously increase participation of needy families, reduce program abuse, simplify administrative procedures and decrease or at least check rises in already sizeable operating costs. Attempts to achieve this variety of goals has resulted in a number of program revisions with trade-off effects.

Elimination of the purchase requirement, for example, will undoubtedly increase food stamp participation of some eligible farm-worker families, as well as others, who have not previously participated in the program because of inadequate funds to buy stamps. Receiving

stamps by mail instead of through a public vendor will reduce some of the stigma attached to welfare participation and at the same time will ease transportation problems for many rural people. Also, the increased simplicity of using a standard deduction has the potential for increasing program participation as does the improvement of outreach services, especially to migrant farmworkers, and the increased use of bilingual certification workers specified under the new legislation. These changes should help to eliminate some of the barriers to participation for many needy farmworker families.

On the other hand, adoption of the adjusted OMB poverty level as the criteria for income eligibility will considerably reduce the population of eligible families since many families will not be able to qualify for assistance under the more stringent income levels. Use of a standard deduction may also eliminate some previously eligible farmworker families who claimed large amounts of deductions.

Because of the various trade-off effects, it is difficult to accurately assess the impact of the program revisions on hired farmworker families or other population groups. However, data reviewed here do suggest that changes in the Food Stamp Program may impact differently on various subgroups. Consequently, future research designed to assess the impact of legislative changes in the program or to evaluate the program as a whole should closely examine such groups as minorities, women, migrants, rural residents, and others to determine the extent of these differential effects.

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Table 1.--Monthly Coupon Allotments and Purchase Requirements by Net Monthly Income and Household Size for the 48 Contiguous States and the District of Columbia: July 1975

Monthly net income	For a household of--							
	1	2	3	4	5	6	7	8
	Person	Persons	Persons	Persons	Persons	Persons	Persons	Persons
	The monthly coupon allotment is--							
	\$48	\$90	\$128	\$162	\$192	\$222	\$250	\$278
And the monthly purchase requirements is--								
\$0 to \$19.99.....	0	0	0	0	0	0	0	0
\$20 to \$29.99.....	\$1	\$1	0	0	0	0	0	0
\$30 to \$39.99.....	4	4	\$4	\$4	\$5	\$5	\$6	\$5
\$40 to \$49.99.....	6	7	7	7	8	8	8	8
\$50 to \$59.99.....	8	10	10	10	11	11	12	12
\$60 to \$69.99.....	10	12	13	13	14	14	15	16
\$70 to \$79.99.....	12	15	16	16	17	17	18	19
\$80 to \$89.99.....	14	18	19	19	20	21	21	22
\$90 to \$99.99.....	16	21	21	22	23	24	25	26
\$100 to \$109.99.....	18	23	24	25	26	27	28	29
\$110 to \$119.99.....	21	26	27	28	29	31	32	33
\$120 to \$129.99.....	24	29	30	31	33	34	35	36
\$130 to \$139.99.....	27	32	33	34	36	37	38	39
\$140 to \$149.99.....	30	35	36	37	39	40	41	42
\$150 to \$169.99.....	33	38	40	41	42	43	44	45
\$170 to \$189.99.....	36	44	46	47	48	49	50	51
\$190 to \$209.99.....	36	50	52	53	54	55	56	57
\$210 to \$229.99.....	38	56	58	59	60	61	62	63
\$230 to \$249.99.....		62	64	65	66	67	68	69
\$250 to \$269.99.....		68	70	71	72	73	74	75
\$270 to \$289.99.....		70	76	77	78	79	80	81
\$290 to \$309.99.....		70	82	83	84	85	86	87
\$310 to \$329.99.....			88	89	90	91	92	93
\$330 to \$359.99.....			94	95	96	97	98	99
\$360 to \$389.99.....			100	104	105	106	107	108
\$390 to \$419.99.....			109	113	114	115	116	117
\$420 to \$449.99.....			110	122	123	124	125	126
\$450 to \$479.99.....				131	132	133	134	135
\$480 to \$509.99.....				138	141	142	143	144
\$510 to \$539.99.....				138	150	151	152	153
\$540 to \$569.99.....				138	159	160	161	162
\$570 to \$599.99.....					164	169	170	171
\$600 to \$629.99.....					164	178	179	180
\$630 to \$659.99.....					164	187	188	189
\$660 to \$689.99.....						190	197	198
\$690 to \$719.99.....						190	206	207
\$720 to \$749.99.....						190	214	216
\$750 to \$779.99.....							214	225
\$780 to \$809.99.....							214	234
\$810 to \$839.99.....							214	238
\$840 to \$869.99.....								238
\$870 to \$899.99.....								238
\$900 to \$929.99.....								238

Source: Tables taken from the Federal Register, Vol. 40, No. 89, May 7, 1975, page 19856.

Table 2-- "High and "low" income families of
four: increased food consumption vs. income
supplementation

	<u>"High Income" Family of Four</u>	<u>"Low Income" Family of Four</u>
Gross monthly income	\$540	\$ 50
<hr/>		
Allotment	162	162
Purchase Requirement	138	10
Bonus Value	24	152
<hr/>		
Required food expenditure	24	152
Freed income	138	10

Table 3.--Comparison of FNS Income Criteria with OMB Poverty Levels, November 1975

Family Size	FNS Criteria		OMB Criteria as adjusted	Percentage change
	Maximum allowable monthly income	Adjusted annual income		
1	\$215	\$2,580	\$2,823	+ 9.4
2	300	3,600	3,631	- 0.9
3	427	5,124	4,436	-13.4
4	540	6,480	5,682	-12.3
5	640	7,680	6,715	-12.6
6	740	8,880	7,556	-14.9
7	833	9,996	9,288	- 7.1
8	926	11,472	--	--
Each Additional member	+73			

1/ Adjustment is computed by multiplying the 1975 poverty guidelines (non-farm) by the percentage change between the average 1975 Consumer price index (CPI) and the CPI for March 1976.

Table 4.--Characteristics of Hired Farmworker Families by Food Stamp Status and Family Income

	: Number : in : Thousands	: % : Minority : Group	: % : Female- : Headed	: % : Southern : Residents	: % : Headed by : Farmworker	: % : with 6+ : Members	: % : with Family : Income Less : Than \$5,000
All U.S. Families	: 72,113	: 16	: --	: 31	: --	: 7	: 21
All Food Stamp Families	: 4,387	: 48	: --	: 38	: --	: 19	: 72
Hired Farmworker Families	: 1,999	: 23	: 10	: 39	: 49	: 25	: 15
Hired Farmworker Food Stamp Families	: 207	: 54	: 29	: 68	: 51	: 49	: 60
Family Income of Hired Farmworker Families							
Less than \$1,000 ^{1/}	: 35	: --	: --	: --	: --	: --	: --
1,000-2,999	: 185	: 52	: 27	: 77	: 77	: 6	
3,000-4,999	: 284	: 36	: 20	: 56	: 72	: 23	
5,000-7,499	: 342	: 34	: 9	: 39	: 70	: 25	
7,500-9,999	: 238	: 19	: 8	: 35	: 66	: 23	
10,000 and over	: 807	: 8	: 3	: 25	: 30	: 29	

^{1/} Percentages not shown where base is less than 50,000.