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THE PILOT FOOD STAMP PROGRAM--A CONTINUING EXPERIMENT ^{1/}

In mid-1961, USDA initiated pilot Food Stamp Programs in 8 areas of the Nation as a step toward determining the effectiveness of such an approach in providing better nutrition for needy families and in paving the way for a substantial improvement in use of our food production capacity. The test was broadened on August 2, 1962, when authorization was granted for initiation of the Program in 25 additional areas throughout the United States. An additional 14 areas were offered the Program on October 26, 1962. The expanded Food Stamp Program will permit its evaluation under a wider variety of operating conditions than were found in the 8 original areas.

Policymakers will be able to draw upon findings from large-scale food studies over several years to determine the ultimate role of the Food Stamp Program in the national food policy. The course of action taken will be of concern directly to agriculture, State and local Governments, and approximately 7 million needy recipients of donated commodities or food coupons.

The First Year

During the first year the Program operated, approximately 135,000-140,000 persons received food coupons each month in the 8 pilot areas. This number was slightly less than one-half of the 310,000 persons who were receiving donated commodities when the Direct Distribution Program was terminated in the pilot areas. The lower participation level under the Food Stamp Program is attributed primarily to changes in qualifying status of some families at the time of recertification and the coupon purchase feature of the Program. The exchange of the money that a family would normally be expected to spend for food for food coupons of greater value, however, provides insurance that the Federal assistance in the form of

free coupons will serve its intended purpose of increasing food consumption among participating families.

In the year ending June 30, 1962, food coupons valued at \$35.2 million were issued. Participants paid \$22.0 million or about 63 cents for every dollar of coupons received. The Government's contribution in free or bonus coupons was \$13.2 million. Thus, the average recipient each month received food coupons valued at about \$21 -- for which he had paid about \$13.

Research findings indicate that a high percentage of the Government's contribution of free or bonus coupons was used in creating an expanded market for foods at retail food stores. Retail food sales appear to have risen by at least \$7 per month for each participant.

Surveys of retail food store sales showed that sales increased in each of the 8 pilot areas after commodity distribution was supplanted by the Food Stamp Program. The overall sales gain was about 8 percent, with all size categories of food stores reporting increased sales. Resurveys in 2 pilot areas, after the Program had been in operation for about 9 months, indicate that sales gains are holding up.

Surveys of household food consumption undertaken during the first year indicate that the Food Stamp Program is contributing to expanded consumption by both urban and rural participants. The Program appears, however, to be particularly effective in urban areas where needy families have limited access to home-produced or other nonpurchased foods. After the Program began, participants in low-income sections of Detroit, Mich., were consuming foods with a retail value 34 percent above preprogram levels. In rural areas of Fayette County, Pa., an increase of 9 percent was observed. In both areas, however, animal products, fruits, and vegetables

^{1/} Prepared by Robert B. Reese, agricultural economist, Marketing Economics Division, Economic Research Service.

accounted for more than 80 percent of the increased retail value of consumption during the Program period.

The percentage of the same recipient households having diets which met recommended allowances of the National Research Council was greater when they were receiving food coupons than before (Detroit -- up from 29 to 48 percent; rural Fayette County, Pa., -- up from 26 to 39 percent). Control groups showed little change between the 2 survey periods. A nationwide survey in 1955 showed that about 50 percent of northern nonfarm households with incomes of less than \$4,000 had diets containing the same nutritional allowances.

These findings from the first year of operation indicate that the Program has moved toward its objectives of improving nutritional levels of needy persons and expanding markets for agricultural products. They also point to the need for continuing the pilot operation on a broader base during 1962, particularly to develop more definitive information on longer-range implications for agriculture, for agricultural marketing, and for national food and welfare policies.

The Second Year

Extension of the pilot program for a second year permits testing of administrative procedures and evaluation of market expansion and nutritional aspects under a wider variety of operating conditions. Procedures developed after a year's experience will be initiated and the results observed. More State and local governments will gain experience in carrying out their respective responsibilities for certification of needy families and the issuance and sale of food coupons to participants. The research evaluation will extend to areas with different regional diets and different requirements for Program participation.

By July 1963, the Program probably will have been tested in 20 or more States. Several hundred thousand needy persons will have received diet supplementation through food of their own choice purchased by free or bonus coupons--and the economic implications of their actions will have been evaluated. The results of perhaps the largest and most important food marketing study to date will have been made available for use in decision making. The question to be answered is: To what extent will the Food Stamp Program be utilized in making part of agriculture's abundant resources available for improving the health and well-being of needy families within the United States?

MARKETING ECONOMICS DIVISION
ECONOMIC RESEARCH SERVICE
U. S. DEPARTMENT OF AGRICULTURE

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