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THE FOOD STAMP PROGRAM

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*An Initial Evaluation of the
PILOT PROJECTS*

UNITED STATES DEPARTMENT OF AGRICULTURE
CONSUMER AND MARKETING SERVICE • FOOD STAMP DIVISION

A Report to the Secretary of Agriculture
on the
Initial Evaluation of the Pilot Food Stamp Projects

This report is an evaluation of the Pilot Food Stamp Projects now being operated in eight economically depressed areas of the United States. These projects were inaugurated by the Department, the first beginning on May 29, 1961, at the request of the President.

The report relates the administrative experience gained in the operation of the pilot projects and presents the results of a series of special studies made to determine attitudes about the program and to measure its economic and dietary impacts. The report also discusses other considerations important to policy making. Among these are the longer range implications for our food and agricultural objectives and for welfare policies and programs; certain cost considerations; and, if the program were to be expanded, the desirable scope and pace of such an expansion.

Many groups and agencies within the Department have contributed to this report: The Consumer and Food Economics Research Division, Agricultural Research Service; the Marketing Economics Division, Economic Research Service; the Special Surveys Branch, Statistical Reporting Service; the Economic and Statistical Analysis Division, Economic Research Service; the Office of the General Counsel; and, within the Agricultural Marketing Service, the Budget and Finance Division, the Internal Audit Division, and the Marketing Information Division.

The Bureau of Family Services of the Department of Health, Education and Welfare has also contributed the results of a survey it conducted among State public welfare administrators in the eight States in which the pilot projects were conducted. Opinions and recommendations also were received from representatives of the wholesale and retail food industry.

This publication originally issued in April 1962 as AMS-472 by the Agricultural Marketing Service. Reprinted February 1965 by the Consumer and Marketing Service without change in text, since the research and evaluation of the Pilot Stamp Program continues to serve as a guide in implementing the Food Stamp Act of 1964 over the next several years in those areas of the Nation that need and request the program.

Data in this report pertains to the evaluation period, June through December, 1961.

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Summary

A. Background

1. In his Economic Message of February 2, 1961, the President requested the Department of Agriculture to inaugurate a series of pilot food stamp projects to test the effectiveness of such an approach in providing additional nutrition to those now in need and in paving the way for substantial improvements in efforts to make more effective use of our productive capacity.
2. Pilot food stamp projects were inaugurated in eight economically depressed areas of the country--the first on May 29, 1961--and plans were developed to evaluate the results after six months' operating experience had been obtained. These eight pilot areas are Franklin County, Ill.; Floyd County, Ky.; Detroit, Mich.; the Virginia-Hibbing-Nashwauk area of Minn.; Silver Bow County, Mont.; San Miguel County, N. Mex.; Fayette County, Pa.; and McDowell County, W. Va. Prior to the inauguration of the food stamp program, eligible needy persons in these areas could obtain foods available through the Department's donation of commodities under its Direct Distribution Program.
3. Under the food stamp program, certified needy families exchange the amount of money they normally could be expected to spend for food for food coupons of a higher monetary value. The difference between the amount the families pay and the value of the coupons they receive represents the Federal contribution in bonus coupons. Participating families use the food coupons to purchase food out of regular commercial supplies at retail food stores approved to accept such coupons. Any food, except a few imported items, may be purchased with coupons. Retailers redeem the coupons through the facilities of the commercial banking system.
4. Plans were developed to evaluate pilot projects by the end of the calendar year 1961 and included a series of special studies to be undertaken by the research agencies of the Department. The overall evaluation includes a review of the administrative and operating aspects of a food stamp program and studies to determine attitudes about the program and to measure its economic and dietary impacts.

The results submitted in this report, therefore, are based upon the administrative and operating experience gained in the first six months of operation and on the preliminary analysis of the series of special research studies undertaken after the pilot projects had been in operation from three to four months. It is recognized that a longer period of experience would bring to light additional administrative and operating problems and that a further analysis of the available research results, together with additional studies, is needed in order to provide a more detailed evaluation of the impact of such a program on food consumption and diets and on farm prices and income.

B. The Initial Evaluation

1. From July through November--when all eight pilot projects were in operation--participation in the eight pilot projects averaged about 138,000 persons a month. The value of total coupons issued to participating families averaged almost \$2.8 million a month. Participants paid \$1.7 million a month for these coupons. The monthly cost of the bonus coupons issued to participants was slightly more than \$1 million a month.

The number of needy persons participating in the pilot programs was substantially less than the number which had been receiving Federally donated foods in the eight pilot areas in May 1961. However, it was only slightly lower than the number which had been receiving these donated foods in July-November of 1960.

2. The experience gained in the eight pilot projects indicates that a food stamp program is practicable in terms of its administrative and operating aspects. Also, the level of Federal administrative costs of such a program appears to be within acceptable limits.

Compliance with regulations governing the issuance and use of food coupons has been satisfactory. Overall, the pilot operations have pointed the way to further desirable improvements in the original program procedures and requirements.

3. A special survey was undertaken in two of the eight pilot areas to determine attitudes about, and reactions to, the food stamp program. Groups interviewed were a cross-section of moderate and higher income families, low-income families who were, and were not, participating in the program, food retailers, and welfare workers.

The large majority of persons interviewed in each of these groups indicated that they liked the food stamp program and felt that it should be continued.

4. A special survey of the dollar volume of retail food store sales was undertaken in all eight pilot areas before and after the inauguration of the pilot projects.

Following the start of the pilot projects, sales in the survey stores increased by 8 percent, after adjustment for seasonal factors. The survey also indicated that the smaller retail stores were able to attract a reasonable proportion of the food coupon business.

5. A study of household food consumption in two of the eight pilot areas showed that families participating in the food stamp program made significant increases in food purchases and in total value of food used since the inauguration of the pilot projects. In the two areas, 85 and 95 percent of the free coupons represented increased food

expenditures with animal products and fruits and vegetables accounting for more than 80 percent of the gains in the value of food consumed.

6. Results of an evaluation made in two of the eight pilot areas showed the food stamp program to be effective in improving the diets of participating families. Over one-third and almost one-half of the participating families had diets that could be considered good, compared with slightly more than one-fourth of the low-income families who were not participating in the program.
7. Experience with the pilot projects indicates that the additional food purchasing power generated by a food stamp program could provide general support to the domestic demand for food and, therefore, act to bolster farm income. An expanded program could be expected to result in an increase in the volume of food marketed through commercial channels.
8. It is concluded that an expanded food stamp program would not materially interfere with surplus-disposal and inventory-management activities of the Commodity Credit Corporation nor with the Department's ability to undertake necessary Section 32 purchase programs for perishables.
9. Although comparisons of costs between the Direct Distribution Program and the food stamp program are difficult to make, it appears that there would be considerable offsetting costs for the food stamp program as a result of the suspension of the commodity donation program for needy families in areas in which a food stamp program is inaugurated. Further study needs to be given to this factor of comparative cost.
10. It is important that any special food assistance program be operated in a manner that supplements present State and local welfare assistance programs. However, food assistance programs do reach a group of needy low-income families that are not now covered by such welfare programs. If the food stamp program were to be expanded, the Department would need the continued close cooperation of the Department of Health, Education and Welfare on matters of mutual concern; this would be essential to attain major program goals.
11. It would appear that if the food stamp program were ultimately offered to all communities in the country, many would not participate. Because of the necessary investment of time, staff, and money on the part of State and local governments, the program does not appear to be practical for those areas of the country with a relatively small proportion of needy families nor where the need for a food assistance program is temporary or seasonal. Based on these factors and experience with the Direct Distribution Program, it is believed that over a 5-year period the maximum expansion might reach about 4 million persons at a cost of about \$360 million.

12. In the interests of effective administration and developing needed solutions to practical operating problems, it appears advisable that the food stamp program be continued on an essentially pilot basis with a moderate expansion over the next 18 months to bring the program to a \$50 million annual level. This approach could be accommodated within existing legislative authority and funds. The basis for this is contained in the following section.

C. Consideration for the Future

As stated, the general conclusions drawn from this study and evaluation are that early experience with the pilot programs has indicated substantial accomplishment of its objectives. This early experience, however, does not now provide the basis for any large-scale expansion during the next year, even to encompass most of the areas with heavy unemployment, until additional experience has been gained. The problems or potential problem areas which might arise in a larger operation over a longer period of time are these:

1. A pilot or experimental program is likely to contain a certain amount of bias or weighting toward a greater degree of cooperation, interest, and support than might prevail in the longer run.
2. When the program is tried out on a multiple basis (several counties in a single State), it may develop that State Welfare Departments are less able or less willing to provide effective administrative and fiscal direction to county operations with consequent less emphasis on good certification and proper accounting procedures. To guard against this situation, present contractual arrangements with the States will need to be more specific and detailed than was necessary under the limited pilot operations.
3. Close supervision over the pilot projects was maintained by Department personnel--primarily derived from existing staff of the Agricultural Marketing Service. While similarly close supervision could be maintained under a larger operation within a reasonable level of administrative costs, the recruiting and training of new personnel could be a difficult problem. Considerable advance notice of any large-scale expansion would be needed to meet this problem.
4. Investigations have revealed a limited number of violations of program regulations by participating families and grocers. In the main, these have involved sale of nonfood items for food coupons; in fewer instances, grocers have purchased the coupons for cash at a discount. While experience indicates that supervisory and investigative measures can keep this type of situation within manageable bounds,

there has not yet been clearly established the efficacy of existing legal procedures and authorities that can be employed in obtaining prosecution, conviction, and punishment of program violators. Test cases are now in the hands of the Department of Justice. The outcome of these cases will determine whether or not special statutory authority is necessary to deal promptly and effectively with compliance problems.

5. There has been no indication of any counterfeiting activities with food coupons. Because this would always remain a possibility, arrangements have been concluded with Federal Reserve System for periodic examination of redeemed coupons for genuineness. In addition, consideration is being given to changing from time to time the color or design of the coupons to minimize the possibility of counterfeiting.

THE FOOD STAMP PROGRAM

An Initial Evaluation of the Pilot Food Stamp Projects

The Background

For a number of years the U. S. Department of Agriculture has operated a series of distribution programs designed to improve national dietary levels and to expand domestic markets for food. This broad activity has included efforts specifically directed toward an important vulnerable group within the country--low-income families. Although a food stamp plan was in operation between 1939 and 1943, the principal means of providing additional food to these needy families has been through the donation of federally-owned foods.

These foods are acquired by the Department under various price support and surplus removal purchase programs. They are distributed through the facilities of State and local governments. In December 1960, 3.7 million people in needy families were receiving donated foods in amounts having a retail value of less than \$3.00 per person per month. Moreover, at that time, supplies of dried eggs and beans were running out and the only foods being offered to the States for distribution during the coming winter months were flour, cornmeal, rice, dry milk and lard, having a monthly retail value of about \$1.20 per person. (The retail cost of the Department's recommended low-cost food budget is over \$20.00 per person per month.)

The first Executive Order of the President, issued January 21, 1961, directed the Department to make greater use of its existing authorities to expand farm markets and food use among needy families. In October 1961, a total of 6.1 million needy persons was receiving federally-donated foods and the retail value of such foods had been increased to about \$6.00 per person per month. Important additions to the variety of foods being made available were canned meat, peanut butter and dry beans. The increase in the value and variety of foods being made available not only helped to better meet the food requirements of these needy families but also made it worthwhile for additional States and counties to undertake the expense of handling and distributing the donated foods.

In addition to the expanded donation of food to the needy, the President requested the Department to inaugurate a series of pilot food stamp projects. In his Economic Message to the Congress of February 2, 1961, the President stated that the purpose of these projects was to determine the effectiveness of such an approach in providing additional nutrition to those families now in need and in paving the way for substantial improvement in efforts to make more effective use of our productive capacity.

It was determined that the Section 32 legislation provided adequate authority for the conduct of pilot operations and developmental work was immediately undertaken. By the second week in March, Department representatives were in a position to discuss the broad provisions of the pilot operations with the State and local agencies which were being asked to take responsibility for

the certification of applicant households and the issuance and sale of stamp coupons. The stamp coupons were designed by the Department and printed by the Bureau of Engraving and Printing, after consultation with the American Banking Association, the Secret Service, and the Federal Reserve System. Coupons were ready for distribution by the first of May. Federal Regulations governing the operation of the pilot projects were approved by the Secretary on May 12, 1961. The first project was opened in McDowell County, West Virginia, on May 29, 1961.

Program Objectives

It is the purpose of a food stamp program to expand markets and improve diets by increasing the limited food buying ability of needy families. Food surveys show that as income increases, families buy more and better food and are more likely to have nutritionally balanced diets.

Food purchasing power is increased under a stamp program by giving needy families an opportunity to exchange the amount of cash they normally would spend for food for food stamp coupons of a higher monetary value. The purchase of food coupons--in the amount the family could normally be expected to spend for food--is designed to insure that the food coupons provided free actually result in increased food consumption.

Stamp coupons can be used by participating families to purchase food at retail stores out of regular commercial supplies, at prevailing retail prices. As a result, it is to be expected that participating families would buy more food, especially more of the important protective foods such as meats and fruits and vegetables. Thus, if the expected results were to be forthcoming, a food stamp program would help improve the diets of participating families, expand commercial food markets, tend to reduce the need for government acquisitions of food that otherwise could not be marketed with equitable returns to producers, and help shift demand to the higher resource-using foods.

It is these underlying program objectives that the pilot food stamp projects were designed to test under actual operating conditions and, as well, to provide the basis for evaluating program returns in relation to program expenditures.

While the stamp and commodity donation programs are both designed to provide more food to needy families, they differ in other respects. Food donations to schools, institutions and needy families, from an agricultural standpoint, are designed to provide a constructive outlet for foods acquired under the price support program and through surplus removal programs. Where outlets are available, purchases of surplus perishables can be pinpointed to a specific geographic area or to certain grades or varieties, if such a limited approach is all that is needed to stabilize markets.

The Pilot Food Stamp Projects

The pilot projects inaugurated in the eight areas incorporated the following principal features:

1. Eligibility standards for the program were essentially the same as those used in the commodity donation program previously in operation in the pilot areas. This meant that all households receiving public or general assistance were eligible and that for other low-income households, maximum levels of income and liquid resources were established for each size of family. For the nonrelief families, the standards established bear a direct relationship to the standards used by the State in the administration of its own welfare assistance program.
2. Responsibility for the certification of applicant households was assumed by the State welfare agencies administering the federally-aided public assistance programs. (In two of the pilot areas, part of the responsibility for certification was assumed by the local welfare agency administering the State-supported general assistance program.)
3. Responsibility for the issuance and sale of coupons was assumed by the State welfare agency or by the local governmental agency of the pilot area.
4. Coupons were printed by the Bureau of Engraving and Printing of the Treasury Department in 25-cent and one-dollar denominations. They were issued to participating families in booklets containing \$2.00, \$3.00 or \$10.00 worth of coupons.
5. For each pilot area, a basis of coupon issuance was developed in cooperation with State and local welfare officials. It established the amounts of money various families would be required to spend for coupons and the amounts of additional or bonus coupons families would receive without charge. Under this system, lower income families receive a larger value of bonus coupons than do those higher income families who are eligible.
6. Cash collected from the sale of coupons was to be deposited daily in a designated depository to the Food Stamps Redemption Account of the Treasurer of the United States. As necessary, the Department of Agriculture was to transfer Section 32 funds to this same account to cover the face value of the bonus coupons issued to participating families.
7. Participating families could use the coupons to purchase food in approved retail stores, except that such coupons could not be used to purchase coffee, tea, cocoa (as such), bananas, and any packaged item identified as an imported food item. This was an

important departure from the 1939-43 Food Stamp Plan when the bonus coupons could be used only for certain foods designated by the Department of Agriculture. This particular feature of the old plan led to operating complications and was not particularly effective.

8. To encourage the use of abundant foods, the pilot projects incorporated merchandising and educational efforts designed to focus the attention of participants on such foods. The projects also included cooperative efforts with existing State and local nutrition education agencies and resources to help participants get the best possible nutrition with their augmented food budgets.
9. Retail food stores were approved for participation by representatives of the Department of Agriculture. In the application, the retailer stated he understood the provisions of the program and agreed to abide by the Regulations governing the use of coupons.
10. Retailers were able to redeem coupons at face value through commercial banks or through approved wholesalers.
11. Banks were to redeem coupons through the Federal Reserve System. Federal Reserve banks charge the Food Stamps Redemption Account of the Treasurer of the United States for the face value of the coupons redeemed.
12. Plans for the evaluation of the pilot projects were to be concluded in a six-month period and were to include a series of special studies to be undertaken by the research agencies of the Department. The results of these special studies are presented later in this report.

The Pilot Areas

The eight economically depressed areas selected for the pilot food stamp projects were chosen to allow the Department to evaluate a food stamp program under a wide range of operating conditions. All of the areas, except one section of the Minnesota project (that located in St. Louis County) were participating in the commodity donation program at the time of their selection, and St. Louis County had entered the program by May 1961.

The eight pilot areas are:

Franklin County, Illinois--a coal-mining area in the southern part of the State.

Floyd County, Kentucky--located in the eastern part of the State. Its economy is fairly well diversified--coal mining, lumber, railroad yards, and some farming.

Detroit, Michigan--a large metropolitan area experiencing serious unemployment.

The Virginia-Hibbing-Nashwauk area, Minnesota--in the Mesabi iron range.

Silver Bow County, Montana--a copper-mining area. Butte is the principal city.

San Miguel County, New Mexico--the smallest of the pilot areas. Its population is about evenly divided between urban and rural communities.

Fayette County, Pennsylvania--located in the bituminous coal-mining area. This area has a chronic unemployment problem.

McDowell County, West Virginia--an area of substantial and chronic unemployment, typical of coal-mining areas in the Appalachian range.

In these eight areas, participation in the commodity donation program had increased in the months preceding the inauguration of the pilot projects from 151,000 persons in December 1960 to about 310,000 persons in May 1961. In May, the cost to the Federal Government of donated foods distributed in these eight areas was \$1.3 million, or about \$4.00 per person. The estimated equivalent retail value of these foods was nearly \$2 million, or about \$6.00 per person. For the eight areas, about 14 percent of the population was participating in the commodity donation program in May 1961, although there were substantial area-by-area differences in this percentage.

The Size of the Pilot Operations

From July--when all eight pilot projects were in operation--through November, monthly participation in the pilot food stamp projects averaged 137,816 persons, as the following table shows:

	<u>Number of participants</u>
July	133,421
August	141,944
September	137,767
October	135,407
November	<u>140,543</u>
5-month average	137,816

During the same five months in 1960, monthly participation in the commodity donation program averaged 139,418 persons in these eight areas. However, the peak month of food stamp participation is less than half the 310,000 persons receiving donated foods in May 1961, just prior to the inauguration of the pilot projects.

During the same five-month period--July through November--the value of all coupons issued to participating families averaged almost \$2.8 million a month. Participants paid a monthly average of \$1.7 million for these coupons, representing 62 percent of the total value of coupons issued. The value of the bonus coupons provided (representing the additional food purchasing power provided by the Federal Government), averaged just over \$1 million a month:

	<u>Volume of bonus coupons</u>
July	\$ 934,019
August	1,103,310
September	1,035,086
October	1,052,806
November	<u>1,081,926</u>
5-month average	\$1,041,429

A lower participation was to be expected under a food stamp program. It appears important, however, for policymakers to have a knowledge of the factors that have affected participation in the pilot projects.

1. The purchase requirement itself contributes to a lesser participation among those eligible families with a relatively small preference for additional food. As the special evaluation studies presented later in this report show, some low-income families are able to obtain good diets with their limited purchasing power; others may feel their unmet needs for nonfood items to be more important than additional food.
2. The value of bonus coupons provided to participating families decreases as income increases, and experience indicates that many of the families who receive a relatively small value of bonus coupons (those with incomes close to the exclusion point) do not feel that the additional benefits are worth the trouble. The special household food consumption surveys in the Pennsylvania and Detroit projects indicated that the level of participation was higher among families with incomes at least 25 percent below the maximum allowable income (the income exclusion point) than among eligible families whose incomes were in the top quarter of the allowable income scale.

Also, the Food Distribution Division made a special study in Pennsylvania of 2,000 low-income families not receiving public assistance. These families had been certified for the program but were not participating in the program in November. This study also showed that nonparticipation was concentrated in the upper part of the income range established for each family size. For example, the income range for a 4-person family runs from 0 to \$245 per month. Of the 210 nonparticipating families in this group, 70 percent had incomes between \$160 and \$245.

Among the 200 nonparticipating 3-person families, 65 percent had incomes from \$130 up to the maximum allowable income of \$205.

3. Possible inequities in the actual purchase requirements established in each of the pilot areas may be limiting participation among certain categories of families. Preliminary, but not definitive, information indicates that some revisions should be made--especially for the smaller size families and the aged. Again, results of the Pennsylvania and Detroit studies tend to support these preliminary observations.
4. In some of the pilot areas, eligible nonparticipating families have indicated practical difficulties in purchasing coupons. In some instances, the families report they must travel a considerable distance to the issuing office; others have found it difficult to budget their limited funds when designated coupon purchase dates did not coincide with the periods when income is received. (Some of the pilot areas are making adjustments in operations to overcome this possible limitation on participation.)
5. The precise income information required in determining eligibility for the food stamp program has resulted in a more detailed examination of eligibility. In some of the pilot areas, this has reduced the number of families declared eligible for participation. Also, there are some minor variations in eligibility standards, compared with those formerly in effect for the commodity donation program, which are more restrictive. These apply primarily to the amount of resources allowed.
6. Finally, as late as September-October, there were indications that some apparently eligible families still did not fully understand the program. The increase in November participation may indicate that at least some of those families are now better informed about the program.

Administrative Experience

Based upon the experience gained in the operation of the pilot projects, a food stamp program is practicable in terms of its administrative and operating aspects. Also, the level of Federal administrative costs of such a program appear to be within acceptable limits. The pilot operations have also pointed the way to further improvements in original program procedures and effectiveness.

The pilot operations were designed to test out the following major operational phases of a stamp program:

1. Was it possible to obtain the precise type of income certification necessary for the operation of a food stamp program?

2. Was it feasible to develop a basis of coupon issuance which would closely relate purchase requirements to the amounts various families could normally be expected to spend for food?
3. Could sufficient accountability controls be developed for the distribution of the coupons to State and local agencies and for the cash received from participating families?
4. Was the use of food coupons practical in commercial channels of trade?
5. Could an acceptable degree of compliance be assured, that is, assurance that the coupons would be used only to purchase eligible foods in approved retail stores?
6. What levels of Federal administrative costs could be anticipated if the program were to be expanded?
7. What types of supporting informational, educational, and merchandising efforts appeared to be desirable?

Certification of Applicant Families

The pilot operations demonstrated that it was possible to obtain careful and effective certifications through the use of a trained staff such as that available in the State welfare agencies which administer the federally-aided public assistance programs.

Key elements in effective certification are: Use of skilled interviewers; documentation of information concerning income and resources; special attention, including home visits or other investigatory techniques, to questionable or inconsistent information obtained from the applicant.

If the program were to be expanded, Federal requirements with respect to certification procedures should be more specific than was possible before operating experience had been obtained.

During the pilot operations, the Department agreed to share, on a 50-50 basis, the direct additional costs involved in certifying nonassistance households for the stamp program (over those formerly being incurred for commodity donation certifications if the welfare agency previously had responsibility for such certifications).

During the initial food stamp certification period (roughly May-June), costs to the Department, overall, for the certification of nonassistance households totaled \$26,000 (two areas estimated). Continuing matching costs for the remainder of the pilot period should be at a lesser rate than those of the initial period, which involved special efforts and costs to meet deadlines for the opening of the pilot projects.

It is believed that adequate certification can best be obtained through an arrangement which provides for some Federal sharing of costs.

Coupon Purchase Requirements

It has been proved both practical and desirable to require participating families to pay for a portion of the food coupons provided to them. This basic procedure tends to insure that the bonus coupons are used in addition to, and not in substitution for, regular food purchases.

Considering the variations in normal food expenditures among families of similar income and family size, it would never be possible to have a purchase requirement which is 100 percent effective in terms of assuring increased total food consumption. Data from the two special household food consumption surveys in the Detroit and Pennsylvania projects indicate that the original purchase requirements were about 95 percent effective in Detroit and 85 percent effective in Fayette County.

These research results, together with the operating experience gained, will permit a definitive re-evaluation of existing purchase requirements directed toward removing inequities and increasing overall effectiveness.

Accountability Controls

No serious problems have been encountered in providing for the proper controls and accountability of coupons delivered to State or local agencies or of the funds received from participants as a partial payment for such coupons. Operating experience, however, has indicated a number of improvements that could be made in specific procedures.

Use of Coupons

Only minor problems have been encountered in the use of the food coupons in retail stores.

In the initial stages of the program, before participants learned to separate eligible coupon foods from other purchases, some delays were experienced at check-out counters. Also, the small denomination of coupons means that large-volume stores must handle and endorse many coupons. The design and size of the coupons, however, have been well received by the trade.

It has also proved practical to utilize the commercial banks and the Federal Reserve System to provide a rapid redemption procedure for retailers and wholesalers. Some banks initially objected to the first-class mailing costs involved in shipping coupons to the Federal Reserve banks as well as to the work involved in cancelling each individual coupon. Arrangements were worked out with the Post Office Department to permit banks to ship coupons as fourth-class mail. Also, some banks have worked out arrangements with the larger retail stores whereby the bank cancellation is done by the retail store as part of its required endorsement of the coupons.

If the program were to be expanded, consideration should be given to a larger denomination coupon, with a view toward reducing printing costs to the Department and handling problems for retailers, banks, and the Federal Reserve System.

Compliance

Compliance with Federal regulations concerning limitations on the use of coupons has been higher than was originally anticipated. Administratively, two factors appear to have contributed to this experience:

- (1) The pilot projects are operating in economically depressed areas where the Department is most likely to receive the full cooperation of governmental agencies and food retailers.
- (2) Close supervision was given to the pilot projects. If the program were to be expanded, therefore, this situation could be altered unless these two administrative factors were continued in substantial degree.

The very significant increase in food purchases among participating families, found in the special evaluation studies reported in the following section of this report, lends additional support to the operating evidence that there has been no substantial diversion of coupons to nonfood uses. Also, careful certification and the required purchase of coupons helps to concentrate participation among those families which have the greatest need or preference for additional food.

During the pilot operations, numerous rumors were brought to the attention of the Department concerning efforts of coupon users to buy ineligible items or to trade coupons for cash at a discount and about certain stores which were violating program regulations. While such rumors have dropped off because retailers generally have resisted these pressures, it is impossible to track down all rumors or to expect the program to operate without some violations. However, there is yet no evidence that such violations are so numerous or so widespread that they would impair effectiveness of the program.

Of the more than 4,000 retail stores accepting food stamps, investigations, thus far, have led to the suspension of six retailers. Additional investigations are now under way which may lead to the possible suspension of an additional four to six retail stores.

In each of the project areas, compliance programs have been developed to keep both participants and grocers informed on the rules of the program. This has included posters and leaflets displayed or distributed in the stamp issuing offices, letters to grocers, meetings with retail trade associations and members, articles stressing compliance in food industry papers, contacts with church groups, chambers of commerce, and other groups interested in the program. Also included have been a large number of visits to participating stores.

A further technique has been developed through use of the stamp redemption certificates submitted by the grocer to banks. Copies of this certificate are forwarded by the banks to the local USDA offices where running totals are kept of the volume of coupons redeemed by each retail outlet. These records are analyzed for indications of possible violations, such as a sharp increase in coupon redemptions or a large volume of redemptions in relation to the type or size of the store. This analysis, in turn, serves as a basis for planning and conducting educational or investigative efforts.

Continuing attention would need to be given to this area of operations, if the program were to be expanded, with a constant search for effective techniques to establish the right "moral climate" and to suspend from the program those families and retailers who willfully violate program requirements. Nonetheless, an evaluation of the level of compliance obtained must necessarily be related to the extensive safeguards the food stamp program provides for insuring increased food consumption by participating families. To put it differently, a stamp program could be designed to distribute coupons free without a requirement that participating families make a cash investment equal to normal food purchases. Such a program would probably be less susceptible to noncompliance because families would be able to transfer some of the money they would normally spend for food to nonfood items. However, such a program would be far less effective in increasing the total food expenditures of participating families.

Federal Administrative Costs

Estimated Federal expenditures for personnel and related costs for the pilot operations are approximately \$900,000 for the fiscal year 1962. It was recognized that during the pilot period, such costs would not be representative of those for a continuing program because of the intensive work needed to develop a new program in a short period of time and because special evaluation activities needed to be undertaken. These estimates, for example, include approximately \$187,500 for the special evaluation studies on retail food store sales, household food consumption, and the diets of participating families. Administrative costs for 1962 are expected to run about 5 percent of program costs.

Based upon this experience gained in the pilot operations, and assuming effective supervision, Federal administrative costs would not exceed 4 percent of total program costs if the program were to be expanded.

Supporting Program Efforts

The pilot operations have demonstrated that the effective attainment of program objectives depends on public understanding of those objectives; on knowledge by low-income families about the program, its benefits, and procedures for applying; and on the retailers' thorough understanding of program requirements. The Department's efforts are most effective when they are undertaken with the full cooperation of State and local governmental agencies involved in the operation of the program.

The pilot projects have also proved to be an additional means through which the Department can receive food trade support for the merchandising of plentiful foods. A special guide, which directs particular attention to those plentiful foods of high nutritional value and low cost, has been developed for retail stores in the food stamp program. Reports from the food trade representatives indicate that this approach has acceptance in the industry.

It has also been possible, during this pilot period, to mobilize existing State and local resources in support of educational efforts to improve nutrition knowledge among participating food stamp families. Available funds and personnel are obvious limiting factors but the program also presents an opportunity to reach many low-income families who are not otherwise likely to take advantage of existing community programs for nutrition education. Important to this overall effort has been the resources and personnel of the Federal-State Extension Service.

Special Evaluation Studies

This section of the report presents the results of a series of special evaluation studies undertaken by the research agencies of the Department to determine attitudes about the program and to measure its economic and dietary impacts.

Attitudes About the Program

A cross-section of moderate and higher income families interviewed in two of the eight pilot areas believed that families without enough food should be helped. These two areas were Detroit, Mich., and McDowell County, W. Va. Awareness of both the food stamp program and the commodity donation program was considered to be relatively high in the two areas.

The large majority of these families, and of all of the other groups interviewed, expressed a preference for the food stamp program over the donation of Federal foods, although both favorable and unfavorable opinions were expressed about certain aspects of each program. (Attitudes about donations to schools and nonprofit institutions were not included in the survey.) They also indicated that they felt the food stamp program should be continued and that it would be more effective in increasing food consumption than a system of additional cash payments.

These attitude surveys were conducted after the pilot projects had been in operation for some time. The groups interviewed included a cross-section of the population; selected participating and nonparticipating low-income groups; retailers; and local welfare workers. Reactions from State public welfare administrators in the eight pilot States were obtained from a survey conducted by the Department of Health, Education and Welfare.

Over 90 percent of the participating families reported that they liked the food stamp program better than the direct donation of surplus foods--primarily because it offered a wider variety of food. Most of these families thought they had enough food after they began participating but a significant

number of families believed there was room for still further improvement in their diets. A few families (less than 5 percent) believed they were worse off.

More than one reason was given for not taking advantage of the stamp program. About one out of every three nonparticipating families indicated that they could get along without the food coupons. Other frequently given reasons were that they were no longer eligible or that they doubted their eligibility, and that the purchase requirements were too high. Some families mentioned the difficulty of purchasing the stamp coupons as one reason for not participating.

Virtually all of the retailers interviewed stated they would like to see the food stamp program continued. They thought the Department had inaugurated the pilot projects for a number of reasons--to provide better diets for those in need, to help those really in need of assistance, to help the economy, and to cut down on agricultural surpluses. The mechanics of the program appeared to cause few problems. The most frequent suggestions for changes were to permit food coupon users to purchase soap, coffee, tea and cocoa, and to print a larger denomination coupon. (These reactions, generally, are similar to those obtained from a representative group of national food trade organizations.)

The overwhelming majority of local welfare workers indicated a belief that the food stamp program was generally more successful than the commodity donation program in increasing food consumption among low-income families. One of the main reasons given in support of this view was that the stamp program enabled families to buy more and better food (for example, fresh vegetables, milk and meat). One group of social workers, however, felt the pilot projects were not achieving this objective because the coupon purchase requirement was too high. The number of workers who felt the eligibility requirements were excluding some needy families from the stamp program was about the same as the number who felt this was not the case.

The survey conducted by the Department of Health, Education and Welfare indicated that six of the eight State public welfare administrators liked the stamp program and expressed a marked preference for it as compared with the commodity donation program. They also indicated that, as a means of increasing food consumption, food stamps were preferable to cash. One administrator, though not expressing complete liking of the program, stated, "the plan has merit in principle"; another had reservations about the food stamp and commodity donation programs. All eight administrators felt that, if the program were to be expanded, welfare departments should be responsible for certification (assuming Federal-State sharing of costs). Four of the eight felt that welfare departments should be responsible for the issuance and sale of food coupons. Finally, it was apparent that these administrators did not necessarily regard food-buying ability as the most important or only gap in current public assistance programs, mentioning the need also for higher shelter allowances, preventive medical services, and other items that have been given less attention, or have not been included, in assistance budgets.

Retail Food Store Sales

Following the inauguration of the pilot projects, the dollar volume of food sales in a sample of retail stores in the pilot areas was increased by 8 percent, after adjustment for seasonal factors. Meats, produce, and other grocery items shared in the increase. Preliminary analysis indicates that changes in economic conditions did not have a decisive influence on these results. (Table 1.)

The survey also indicated that the smaller retail stores were able to attract a reasonable proportion of the food coupon business. The value of food coupons redeemed, measured as a percentage of total store sales, generally was higher in smaller than in larger stores. For all the pilot areas, food coupon redemptions represented 12 percent of the total sales of the very small stores compared to 5 percent in large stores. (Table 2.)

These data on sales were collected during a 4-week period in April-May, before the start of the program, and again in a comparable 4-week period in September-October, after the pilot projects had been in operation from 3 to 5 months. It is estimated that sample stores accounted for approximately 50 to 85 percent of total food sales in all pilot areas except Detroit. There, the survey stores were drawn from low-income areas of the city. Similar data were collected from a "control" sample in higher income areas of Detroit and were used as a basis for the seasonal adjustments made in the survey results. Changes in sales for the control and survey samples, unadjusted and adjusted for seasonal change, are shown in Table 6 of the Appendix.

Total food sales, adjusted basis, were higher in September-October in each of the pilot areas. (The unadjusted sales showed increases for all pilot areas except Detroit. In that city, unadjusted sales were down 0.5 percent in the survey sample and down 5.2 percent in the control sample where food coupons accounted for less than one percent of September-October sales.)

Meat sales, adjusted basis, were higher in each of the eight areas and averaged 7 percent higher. Grocery sales (all items except meat and produce) were also consistently higher in each pilot area, showing a 9 percent increase over April-May sales. Produce sales showed a less consistent trend. They averaged 8 percent higher, but ranged from a 6 percent decrease in one area to an increase of 29 percent in another.

While this variability in produce sales between areas cannot be specifically accounted for, it appears that differences in the availability of home-grown produce, prevalence of roadside produce stands, and in extent of door-to-door peddling may influence the volume of produce marketed through regular retail food stores. The seasonal adjustments made could not take this inter-area difference into account. However, the results of the household food consumption survey in two of the eight areas show significant increases in the volume and value of fresh fruit and vegetable consumption in September-October. This would support the idea that in September-October, families were receiving more of their produce supplies from sources other than the type of retail stores included in this survey.

Table 1: RETAIL FOOD STORE SALES: Percentage change in retail food sales between 4-week test periods, in 8 pilot food stamp areas, September-October compared with April-May 1961 1/

Area	Change in sales volume			
	Total	Meat	Produce	Grocery and other
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Detroit <u>2/</u>	+ 4.9	+ 6.2	- 2.7	+ 5.4
Illinois.....	+10.7	+13.8	- 5.9	+11.5
Kentucky.....	+11.6	+10.3	+11.0	+12.1
Minnesota.....	+ 6.8	+ 1.9	+28.9	+ 5.9
Montana.....	+12.8	+10.1	+24.8	+12.3
New Mexico.....	+ 9.2	+ 3.7	- 4.0	+12.5
Pennsylvania.....	+ 7.8	+ 6.4	- 1.4	+ 9.5
West Virginia.....	+12.0	+13.9	+ 7.8	+11.8
Average <u>3/</u>	+ 8.4	+ 7.2	+ 7.9	+ 9.0

1/ Based on sales volume adjusted for seasonal variation reflected in control sample of retail food stores in Detroit.

2/ Represents low-income areas of city.

3/ Average weighted by sales in each area.

Table 2: RETAIL FOOD STORE SALES: Total dollar volume of food stamp coupons redeemed by sample stores as a percentage of total dollar sales, by area and size of store, September-October 1961

Area	Size of Store*				
	Large	Fairly large	Medium	Small	Very small
	Percent	Percent	Percent	Percent	Percent
Detroit.....	<u>1</u> /	12	16	12	12
Illinois.....	<u>1</u> /	8	8	10	23
Kentucky.....	<u>2</u> /	<u>1</u> /	7	10	14
Minnesota.....	3	3	3	5	6
Montana.....	<u>1</u> /	2	2	6	6
New Mexico.....	<u>2</u> /	6	15	22	14
Pennsylvania...	8	7	7	7	18
West Virginia..	<u>1</u> /	10	12	11	11
All areas.....	5	6	7	9	12

1/ Combined with next smaller size stores to avoid identification.

2/ No stores of this size in the sample.

*Size Classification

Large
Fairly large
Medium
Small
Very small

Annual volume of business

\$1 million and over
\$375,000 to \$1 million
\$100,000 to \$375,000
\$50,000 to \$100,000
Under \$50,000

Household Food Consumption

Families participating in the food stamp program have made significant increases in food purchases and in the total value of food used since the inauguration of the pilot projects, according to a study of household food consumption in two of the pilot areas. Animal products--such as meat, poultry, fish, milk and eggs--and fruits and vegetables, accounted for more than 80 percent of these gains in the value of food used.

Household food consumption surveys were conducted in Detroit, Mich., and rural and urban areas of Fayette County, Pa., during April-May and September-October --before and after the inauguration of the pilot projects. Approximately 1,400 households with incomes less than \$5,000 annually were interviewed during each survey period.

In an effort to isolate, to the extent possible, influences other than the food stamp program, an analysis was made of matched households. These were households living at the same address in both survey periods and whose incomes in both survey periods qualified, or disqualified, them for the stamp program. New families had moved into some of the residences but these represented a very small part of the total households included. The findings presented in this report for Detroit and the rural areas of Fayette County are based upon the food consumption of these matched households. (The urban Fayette County sample is now being analyzed.)

Families who later participated in food stamp programs in rural Fayette were using foods of a higher monetary value prior to the inauguration of the program than were similar families in Detroit. This higher value was due to the greater utilization of federally-donated foods and to more foods produced at home or received as gifts or payments in kind:

<u>Source of Food:</u>	<u>Per-Person Value of Food Use in a Week (April-May)</u>	
	<u>Detroit</u>	<u>Rural Fayette</u>
Purchased	\$ 4.21	\$ 4.23
Federally donated	.63	.99
Other	<u>.06</u>	<u>.28</u>
Total	\$ 4.90	\$ 5.50

In both areas, participating families spent substantially more money per person for food and showed increases in the money value of all foods consumed after their entrance into the food stamp program. The value of purchased food increased 52 percent in Detroit and 28 percent in rural Fayette. The increase in the value of total food used was, of course, smaller--34 percent in Detroit and 9 percent in rural Fayette (Table 3).

Table 3: FOOD STAMP PARTICIPANTS: Per-person use of food in one week before and after the initiation of the pilot food stamp projects, Detroit, Mich., and rural Fayette County, Pa. 1961 1/

Source of food	Detroit			Rural Fayette		
	Money Value			Money Value		
	April- May	Sept.- Oct.	Change	April- May	Sept.- Oct.	Change
	<u>Dols.</u>	<u>Dols.</u>	<u>Pct.</u>	<u>Dols.</u>	<u>Dols.</u>	<u>Pct.</u>
Purchased	4.21	6.41	+ 52	4.23	5.43	+ 28
Federally donated	.63	--	--	.99	--	--
Other <u>2/</u>	.06	.17	+183	.28	.56	+100
Total	4.90	6.58	34	5.50	5.99	9

1/ Without adjustment for seasonal changes in prices and food used.

2/ Includes money value of home-produced foods and those received as gifts or payment in kind. September-October usage also includes minor amounts of federally donated foods still available to the households.

Between April-May and September-October, retail food prices had declined in both areas. An index of retail prices (constructed from the prices and quantities of foods used by nonqualifying families in the sample) showed a reduction of 2 percent in food prices in Detroit and a 6 percent reduction in rural Fayette.

A comparison of shifts in consumption among participating families indicates that the increase in the value of food used tends to be concentrated upon meats and other animal products, and fruits and vegetables. Also, use of prepared bakery products increased--representing primarily a shift from the use of flour and other cereal products. Tables 4 and 5 show the changes in consumption in terms of volume and value.

Money value of meats, poultry, fish, milk and eggs, as a group, increased 40 percent in Detroit and 9 percent in rural Fayette County. In Detroit, red meats alone accounted for over one-third of the net increase in the dollar value of foods consumed by participating families. This increase resulted from a rise of about one pound per capita in weekly meat consumption rather than from a shift to higher value meats. The average price of meats consumed rose only from \$0.46 to \$0.48 per pound after initiation of the food stamp program.

The combined value of consumption of milk, cream, ice cream, and cheese rose in both Detroit (43 percent) and rural Fayette County (22 percent). These increases in money value, however, reflected in part substitution of fluid whole milk for the less expensive dry milk solids previously made available through the commodity donation program.

Eggs constituted the only food group which showed a net reduction in money value of consumption by participating families in Detroit. Similarly, reductions were observed among Fayette County participants. This situation reflects both the prior issuance of dried eggs through the commodity donation program and a seasonal reduction in egg consumption (probably due to higher prices) which was observed among both eligible and ineligible nonparticipating families.

Limited increases in usage of beverages and miscellaneous foods occurred in both areas. Increased consumption among participants in these two categories was equivalent to \$0.12 per person per week in Detroit and \$0.03 per person in rural Fayette County.

Shifts in consumption in both pilot areas did not indicate any major rise in usage of foods usually considered in the luxury category. Program participants narrowed the consumption gap between themselves and families in the same areas with incomes above program eligibility limits. The money value of consumption of meats and other animal products, fruits and vegetables, beverages and miscellaneous foods by food stamp participants, however, continues to be less than that of families with incomes above the needy level.

Table 4: WEEKLY VALUE OF FOOD CONSUMPTION OF PARTICIPATING FAMILIES: Per-person use of food in one week, before and after initiation of the pilot food stamp projects, Detroit, Mich., and rural Fayette County, Pa. 1961 1/

Food categories	Detroit			Rural Fayette County		
	April- May <u>2/</u>	Sept.- Oct. <u>2/</u>	Change	April- May <u>2/</u>	Sept.- Oct. <u>2/</u>	Change
	Dols.	Dols.	Pct.	Dols.	Dols.	Pct.
Meat	1.26	1.86	+ 48	1.21	1.31	+ 8
Poultry	.30	.40	+ 33	.12	.18	+ 50
Fish	.14	.24	+ 71	.10	.08	- 20
Milk, cream, ice cream and cheese	.56	.80	+ 43	.72	.88	+ 22
Eggs	.25	.21	- 16	.32	.23	- 28
Total	2.51	3.51	+ 40	2.47	2.68	+ 9
Fats and Oils	.26	.27	+ 4	.36	.28	- 22
Flour and other cereal products	.40	.41	+ 2	.45	.43	- 6
Bakery products	.30	.44	+ 47	.35	.50	+ 43
Sugar, sweets	.18	.22	+ 22	.27	.28	+ 4
Total	1.14	1.34	+ 18	1.43	1.49	+ 4
Fresh vegetables	.26	.38	+ 46	.24	.40	+ 67
Potatoes, sweetpotatoes	.11	.14	+ 27	.13	.12	- 8
Fresh fruits	.14	.25	+ 79	.15	.26	+ 73
Commercially frozen fruits and vegetables	.02	.04	+100	*	*	0
Commercially canned fruits and vegetables	.16	.21	+ 31	.29	.23	- 21
Fruit and vegetable juices, fresh, frozen, canned, powdered	.03	.06	+100	.03	.05	+ 67
Dried fruits and vegetables	.07	.07	0	.10	.07	- 30
Total	.79	1.15	+ 46	.94	1.13	+ 20
Beverages	.16	.21	+ 31	.29	.32	+ 10
Miscellaneous foods	.30	.37	+ 23	.37	.37	0
Total	.46	.58	+ 26	.66	.69	+ 5
All food groups	4.90	6.58	+ 34	5.50	5.99	+ 9

* Less than .01.

1/ Before adjustment for seasonal changes in price and foods consumed. In Sept.-Oct., prices paid by low-income families were less than in April-May: Detroit--2.3 percent, and rural Fayette County--6.3 percent.

2/ Includes money value of home-produced food, those received as gifts or payment in kind, and federally donated foods, as well as purchased foods.

Table 5: WEEKLY VOLUME OF FOOD CONSUMPTION OF PARTICIPATING FAMILIES: Per-person use of food in one week, before and after initiation of pilot food stamp projects, Detroit, Mich., and rural Fayette County, Pa., 1961 1/

Food categories	Detroit			Rural Fayette County		
	April- May	Sept.- Oct.	Change	April- May	Sept.- Oct.	Change
	Lbs.	Lbs.	Pct.	Lbs.	Lbs.	Pct.
Meat	2.75	3.78	+ 37.5	2.51	2.52	+ 0.4
Poultry	1.01	1.35	+ 33.7	.37	.61	+64.9
Fish	.36	.47	+ 30.6	.26	.18	-30.8
Milk, cream, ice cream and cheese	7.37	7.44	+ 0.9	9.95	8.22	-17.4
Eggs	.75	.60	- 20.0	.95	.66	-30.5
Fats and Oils	.86	1.03	+ 19.8	1.16	1.18	+ 1.7
Flour and other cereal products	2.52	2.51	- 0.4	3.55	2.72	-23.4
Bakery products	1.57	2.03	+ 29.3	1.60	2.12	+32.5
Sugar, sweets	1.14	1.23	+ 7.9	1.46	1.60	+ 9.6
Fresh vegetables	1.81	4.06	+124.3	1.81	4.90	+170.7
Potatoes, sweetpotatoes	1.88	1.97	+ 4.8	3.19	2.66	-16.6
Fresh fruits	1.56	2.62	+ 67.9	1.34	2.39	+78.4
Commercially frozen fruits and vegetables	.05	.10	+100.0	.01	.02	+100.0
Commercially canned fruits and vegetables	.82	1.08	+ 31.7	1.60	1.26	-21.2
Fruit and vegetable juices, fresh, frozen, canned, powdered	.31	.54	+ 74.2	.31	.42	+35.5
Dried fruits and vegetables	.35	.34	- 2.9	.50	.31	-38.0
Beverages	.62	.88	+ 41.9	.74	.84	+13.5
Miscellaneous foods	.87	1.14	+ 31.0	1.27	1.44	+13.4

1/ Includes home-produced food, those received as gifts or payment in kind, federally donated foods, as well as purchased foods.

Dietary Evaluation

In the two pilot areas in which the household surveys were made, considerably more of the low-income families participating in the stamp program had good diets in September-October than did low-income families who were not participating. Also, a higher percentage of food stamp families had good diets in September-October than in April-May when they were participating in the commodity donation program.

These nutritional evaluations were derived from the household food consumption of the matched households in Detroit, Mich., and Fayette County, Pa. A "good diet" is defined as one which supplies the family with 100 percent or more of the allowances for each of the eight nutrients for which recommendations have been made by the National Research Council. An analysis was also made concerning the percentage of families that had either good or fair diets ("fair diets" are those which provide at least two-thirds of all of the NRC Recommended Allowances). In general, consistent results were obtained in both analyses. Therefore, this summary evaluation reports only on the results in terms of those families with good diets.

From over one-third to almost one-half of the participating food stamp families had good diets in September-October, as compared with slightly more than one-fourth of the low-income, nonparticipating families in those months, as the following table shows:

	<u>Percentage Having Good Diets</u>	
<u>Low-Income Families</u>	<u>Detroit</u>	<u>Rural Fayette</u>
Food stamp participants	48	39
Nonparticipants	28	28

The critical nutrients in American diets--those most likely to be short of recommended allowances--are calcium and ascorbic acid. Thiamine and Vitamin A are also key nutrients in a dietary evaluation. Significantly more of the participating families in Detroit had diets providing recommended allowances for these four nutrients than did nonparticipating families. The stamp program was also effective in rural Fayette County in this respect but the differences were smaller. (See Tables 7 and 8 in the Appendix.)

Differences between the quality of diet of the participating families in Detroit and rural Fayette stem chiefly from the greater use of meat, poultry, and fish, and the selection of more nutritious vegetables made by the families in Detroit. The participating families in Detroit, though they used a somewhat smaller total quantity of vegetables than did the participating families in Fayette County, selected more of those vegetables especially high in Vitamin A--that is, the deep yellow or dark green vegetables.

Implications for Agriculture

The eight pilot programs were too limited in scope to have any measurable effect upon farm income. However, it is clear that the farmer has a definite stake in any program aimed at increasing the domestic market for food. This whole matter will be given further study as the stamp program develops. But some likely implications might be noted here.

1. The Department, doubtless, will continue to strengthen its food programs to help vulnerable groups of consumers in this country. This includes the food distribution programs to schools and institutions, and programs to improve the diets of needy families.

In considering what kinds of food programs are best, it is necessary to realize their effects upon diets and nutrition, upon business, upon the income of farmers, and upon the cost to the Government. Research on the pilot stamp operations suggests strongly that the food stamp approach is more effective in lifting the quality of diets of needy families than the commodity donation program. It is also more beneficial to private business. The relative effects of the two programs upon farmers and upon Government costs are not so clear, and much further research is needed on these points.

2. The distribution of surpluses by the Government is the most effective way of disposing of certain specific surpluses, such as wheat, that may be in Commodity Credit Corporation inventory. It is also probably the only effective way of helping relieve certain temporary and local surpluses of perishables which can be bought under Section 32 funds. (However, schools and institutions are the principal outlets for these types of purchases.)
3. The food stamp program appears to be a more effective way of raising total food consumption. Research on the pilot programs, for example, indicated that each dollar spent by the Government tended to raise the value of foods purchased by something like 85 to 95 cents.

The increases in expenditures under the food stamp program were concentrated mainly in meats, dairy products, poultry products, fruits and vegetables. Any increase in the markets for these foods will help to relieve the general problem of over-capacity in agriculture.

4. Both the commodity donation and the food stamp programs help farmers by increasing consumption of food. In the short run, when supplies are relatively fixed, most of this effect comes in the form of higher prices. In the long run, any program that succeeds in raising prices will probably tend to encourage some increase in output. The long-run effects of either commodity donations or the food stamp program would be some combination of increased output and somewhat higher prices than would occur without any domestic food program. Between the very short run and the long run, these programs may have important implications to price

support operations. For example, the increased consumption of livestock products under a national food stamp program would use up more feed grains and thus result in less feed grain going into Government stocks.

5. It is very difficult to compare accurately the cost to the Government of direct purchase and distribution of foods vs. a food stamp program. True, under the direct purchase and distribution operation, the Government buys at farm prices (or at least wholesale prices), whereas under the food stamp program it buys at retail prices. But this is far from the whole story. Under direct purchase and distribution, the Government incurs costs for processing, packaging and distribution, so that the difference in costs of the two programs is less than that indicated by the difference in food prices alone. Moreover, a key question from the standpoint of agriculture is how much new increase in total food consumption is obtained from a given Government expenditure. Very little is now known about the extent of net increases in total food consumption as a result of the direct distribution program. It is very likely, however, that only part of donated foods becomes a net addition to diets, and that the rest shifts some of the normal food expenditure to nonfood purposes.

In any case, it is difficult to make a direct comparison of costs because the food stamp program is aimed at helping needy families get a more adequate diet, while the commodity donation program supplies them only with certain foods that may be in surplus.

Implications for Public Welfare

Both the commodity donation and food stamp programs have implications for public welfare programs and policies. It is important that these special food assistance programs be operated in a manner that supplements present State and local welfare assistance programs. They are not a substitute for welfare programs because they do not consider all the needs of low-income families.

It is also important to recognize that a substantial number of low-income families who need more food are not now included in public and general assistance programs--nor would all of them necessarily be covered in a greatly expanded public assistance program. A number of States do not operate any significant general assistance program under which employable persons can be helped during periods of seasonal or temporary unemployment. State residence requirements frequently exclude otherwise eligible, low-income families. The unmet nonfood needs of many low-income families, such as inadequate shelter allowances, press upon the allowances for food because families can economize on food when the rent is overdue or when children need money for school or new clothing.

The attitude surveys, discussed in an earlier section of the report, showed that welfare workers and officials felt the food stamp program was more effective in increasing food consumption than a system of additional cash payments would be. Nonetheless, it would be imperative to assure that a food stamp program did not result in a general lowering of welfare assistance grants.

It does appear practical, as indicated by the eight State public welfare administrators, for the Department to utilize the services of State welfare agencies for the certification of applicant families. In an expanded program, it would appear highly desirable to work closely with the Department of Health, Education and Welfare in this area of mutual interest and concern.

Guidelines for Possible Expansion

Scope and Pace of Any Expansion

It would appear that even if the food stamp program were offered on a national basis, many sections of the country would not accept the program--as indicated by our experience with the commodity donation program under the type of economic conditions prevailing in recent years. From an operating standpoint, the program does not appear practical for those areas of the country with a relatively small proportion of needy families or where the need for the program is temporary. There are, however, wide areas of the country to which the program could be justifiably extended--nearly every State has some rural or urban areas of substantial unemployment or under-employment.

States and local governments would have considerable responsibilities under a food stamp program, involving time, staff and money costs. As has been the experience under the commodity donation program, many State and local governments would not be willing to undertake such responsibilities or costs unless there were a significant number of families in need of additional food assistance.

The program does appear practical for, and acceptable to, economically depressed areas of the country. Even here, any expansion should be considered on a gradual basis. Such an approach is necessary to --

- (1) Fully prepare State and local governments for their responsibilities and allow them to make necessary staff and operational arrangements.
- (2) Permit the Department to gain additional operating experience in other types of economically depressed areas.
- (3) Make it possible to immediately concentrate funds available for the program in areas of greatest need.

Continuation on a Pilot Basis Under Section 32

In the light of the above considerations, it appears advisable that the food stamp program be continued on an essentially pilot basis with moderate expansion over the next 18 months. This approach could be accommodated within the legislative authority and funds available under Section 32.

Continuation of the program on a relatively small scale would have several important advantages.

1. In small-scale pilot operations conducted in individual counties and cities, there is very likely to be a tendency toward greater cooperation, interest and support than would be the case under a regular program operation. Very substantial publicity was given to the program by informational media in the pilot areas with a good deal of attention from national media. This undoubtedly helped create better understanding of the objectives of the program and its method of operation. It is possible, therefore, that the same degree of cooperation could not be attained in larger scale operations. It is, however, believed that adequate local support and cooperation can be maintained as long as the program is confined to areas of economic distress where the need for better diets and greater economic activity is clearly evident. Larger scale pilot operations would test out this belief.
2. The eight pilot areas in which the program has thus far been conducted do not provide the full geographical coverage which would be necessary for evaluation of the program under all possible circumstances. For example, the eight pilot operations are not representative of all of the urban, rural and farm situations which would be encountered in areas of the country where there are a number of counties that could qualify for this program on the basis of need.
3. Experience is needed with a few multiple operations (two or more counties in a single State) in order to work out effective and efficient techniques for Federal and State supervision and operation of the program. This would be especially important in operating the program in States where public welfare programs are administered on a decentralized basis. Under such situations, we would seek to work with States to develop the necessary techniques and procedures to provide for effective administrative and fiscal direction to the local areas.
4. This program or any other special food assistance program necessarily has a relationship to State welfare programs since public assistance as well as nonpublic assistance families are included. The Federal food assistance provided must operate to supplement rather than substitute for regular welfare expenditures. A larger scale program would help materially in determining what safeguards and procedures would be needed to prevent substitution of Federal food stamp funds for State and local welfare assistance expenditures.
5. The program has been administered with a fairly high degree of supervision on the part of U. S. Department of Agriculture personnel stationed in each of the pilot areas, especially in the beginning months. While the cost of such supervision has not been unduly high, it would be desirable to attempt administrative supervision on a wider scale, with more than one county supervised from one project office. Also, it has been possible to carry out overall supervision using a staff primarily

obtained from existing Department personnel, including a number of employees who have had experience in either the previous stamp plan or similar programs involving Federal-State relations. Any rapid expansion of the program would make it difficult to recruit and properly train the Federal administrative personnel that would be needed.

6. Thus far, the number and incidence of violations of program regulations have been relatively small. For the most part, they have involved sales of nonfood items for coupons; in fewer instances, grocers have purchased the coupons for cash at a discount. There is no evidence, however, that the incidence of violations on the part of a few grocers has reached even close to the proportions which might cause other stores to similarly disregard the regulations in order to compete for food stamp customers. The avoidance of such a situation is, of course, the fundamental objective of our compliance program. A further period of pilot operations would give time to work out the legal procedures and actions necessary to deal promptly and effectively with those program participants who willfully violate program regulations.

It is, of course, impossible to predict whether or not the number and seriousness of violations would increase over a longer period of time. However, it is felt that so long as the program is confined to areas of substantial economic need, the chances of maintaining an acceptable level of compliance with program regulations are probably very good. But expansion of the program to new areas should continue to be accompanied by close administrative and investigatory supervision until we can test out the degree to which an adequate level of compliance can be achieved.

7. As yet, there has not been sufficient time to fully analyze all of the data collected from research studies of the program in order to make a complete determination of its effectiveness in improving diets and increasing the consumption of agricultural commodities. Likewise, more time is needed to conduct a definitive analysis of the data to determine the probable impact of a large-scale program on specific commodities and on farm income and farm prices generally. Studies, particularly on food consumption by participating families, need to be conducted in additional areas to supplement the data collected in Detroit, Mich., and Fayette County, Pa., because these areas are not necessarily typical of many areas in which the stamp plan might operate in the future.

APPENDIX

Table 6: RETAIL FOOD STORE SALES: Percentage change in retail food sales between 4-week test periods, in pilot food stamp projects, September-October compared with April-May 1961

Area	Change in sales volume			
	Total	Meat	Produce	Grocery and other
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Detroit control <u>1</u> /.....	- 5.2	- 1.1	-17.1	- 4.9
Detroit test unadjusted....	- 0.5	+ 5.1	-19.4	- 0.6
Detroit test adjusted.....	+ 4.9	+ 6.2	- 2.7	+ 5.4
Other test areas unadjusted <u>2</u> /.....	+ 3.7	+ 6.3	- 8.2	+ 4.1
Other test areas adjusted.....	+ 9.3	+ 7.5	+10.8	+ 9.9

1/ Sales volume in retail stores in low stamp redemption areas of Detroit used as a basis for adjusting for seasonal variation in test areas of Detroit and other areas.

2/ Includes all test areas except Detroit.

Table 7: SELECTED NUTRIENTS: Percentages of diets meeting recommended allowances for selected nutrients, average amounts per nutrition unit per day of these nutrients in food supplies, and average amount of important groups of food consumed per person per week, by participation in food programs, matched qualifying families, Detroit, Michigan ^{1/}

Nutrient or food group	Families qualifying for food stamp program									
	All					Participants in				
	(September-October)					food stamp program				
	Participants in food stamp program	Nonparticipants in food stamp program	Difference	September-October	April-May	Difference	September-October	May	Difference	
Households	87	183	--	87	87	--	87	87	--	--
All 8 nutrients	48	28	20*	48	29	20*	48	29	20*	20*
Calcium	55	36	19*	55	41	14	55	41	14	14
Thiamine	85	67	18*	85	82	4	85	82	4	4
Ascorbic Acid	69	53	16*	69	57	12	69	57	12	12
Vitamin A value	86	70	16*	86	74	12*	86	74	12*	12*
Diets meeting recommended allowances										
Calcium	843	665	178	843	757	86	843	757	86	86
Thiamine	2.84	2.12	0.72	2.84	2.37	0.47	2.84	2.37	0.47	0.47
Ascorbic Acid	112	81	31	112	83	29	112	83	29	29
Vitamin A value	15,050	10,150	4,900	15,050	10,760	4,280	15,050	10,760	4,280	4,280
Average per nutrition unit per day ^{2/}										
Calcium	7.44	5.70	1.74	7.44	7.36	0.08	7.44	7.36	0.08	0.08
Milk (calcium equivalent)	5.60	4.57	1.03	5.60	4.13	1.47	5.60	4.13	1.47	1.47
Meat, poultry, fish	3.86	2.96	.90	3.86	3.56	.30	3.86	3.56	.30	.30
Grain products	11.40	8.28	3.12	11.40	7.47	3.93	11.40	7.47	3.93	3.93
Fruits, vegetables (incl. dried)	Average per person per week									

* Statistically significant at the 5 percent level. Only the percentages of diets meeting recommended allowances have been tested for significance.

^{1/} Percentages and amounts were rounded independently, therefore, differences may not be the same as computed from figures shown.

^{2/} A nutrition unit is the equivalent of an adult male in terms of the National Research Council's allowances for specified nutrients.

Table 8: SELECTED NUTRIENTS: Percentages of diets meeting recommended allowances for selected nutrients, average amounts per nutrition unit per day of these nutrients in food supplies, and average amount of important groups of food consumed per person per week, by participation in food programs, matched qualifying rural families, Fayette County, Pennsylvania ^{1/}

Nutrient or food group	Families qualifying for food stamp program					
	All (September-October)			Participants in food stamp program		
	Participants in food stamp program	Nonpartici- pants in food stamp program	Difference	September- October	April- May	Difference
Households	71	109	--	71	71	--
All 8 nutrients	39	28	12	39	26	14
Calcium	52	41	11	52	50	2
Thiamine	84	66	18	84	84	0
Ascorbic acid	65	59	6	65	39	26*
Vitamin A value	74	65	9	74	64	10
Diets meeting recommended allowances						
Calcium	800	745	55	800	903	-103
Thiamine	2.56	2.10	0.46	2.56	2.92	- 0.36
Ascorbic acid	116	90	26	116	81	35
Vitamin A value	8,980	7,130	1,850	8,980	8,740	250
Average per nutrition unit per day <u>2/</u>						
	Average per person per week					
Milk (calcium equivalent)	8.23	7.17	1.06	8.23	9.96	-1.73
Meat, poultry, fish	3.31	2.81	.50	3.31	3.14	.17
Grain products	4.13	3.40	.73	4.13	4.62	-.49
Fruits, vegetables (incl. dried) ..	12.58	10.31	2.27	12.58	9.78	2.80

* Statistically significant at the 5 percent level. Only the percentages of diets meeting recommended allowances have been tested for significance.

^{1/} Percentages and amounts were rounded independently, therefore, differences may not be the same as computed from figures shown.

^{2/} A nutrition unit is the equivalent of an adult male in terms of the National Research Council's allowances for specified nutrients.

