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# Issue Briefing Paper

## United States Department of Agriculture

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Title: FOOD STAMP PROGRAM: HOW WELL IS IT WORKING?

PROCUREMENT SECTION  
CURRENT SERIAL RECORDS

### BACKGROUND

In May 1961, the federal government began a small, experimental anti-hunger program in eight U.S. counties. Public concern had been aroused by reports of severe malnutrition in those counties and the rest of the United States.

That pilot program, which served 150,000 low-income people and cost American taxpayers \$13 million the first year, was the beginning of today's food stamp program.

Some 18 years after that small pilot program began, federal costs are expected to reach \$8.3 billion to provide the food stamps which will help over 19 million people get enough food to eat.

What has driven up the cost of the program? Are there more poor people today?

The answers are complex and are closely tied to the development of this nation's food programs over the past 40 years.

An earlier forerunner of food stamps--the government food or commodity distribution program--played an important role in development. Established during the Great Depression, this program was designed to feed the poor and hungry while disposing of farm surpluses. At its peak in 1939, it served 12.7 million people--approximately 10 percent of all Americans.

The food stamp program was designed to accomplish the same objectives as the food distribution program, but through the commercial marketing system instead of government-run food outlets.

Based on the success of the first pilot projects, Congress made the food stamp program permanent in 1964. Even then, commodities were the predominant form of food assistance, serving 6 million people compared to the food stamp program's 350,000. But in 1969 after teams of doctors documented the existence of widespread hunger and malnutrition in the southern United States, major improvements in food assistance efforts were begun.

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Prepared by the Food and Nutrition Service

In 1973 Congress expanded the food stamp program nationwide, eventually eliminating the need for county food distribution programs. This was a major reason for the growth in the food stamp program.

But another important reason for the program's growth has been changing economic conditions in the United States.

When the economy slows and inflation rises, food stamp participation and program costs increase. A 1-percent increase in unemployment results in about 750,000 more persons using food stamps.

During the 1974-75 recession, program participation reached 19.3 million people. It was then, with the program stretched to capacity, that basic flaws became evident. Complicated rules, loopholes in the eligibility standards and the mishandling of cash that recipients were required to pay for stamps, all resulted in heavy public criticism.

In the fall of 1977 Congress enacted reforms designed to redirect benefits to the neediest people, to simplify administration and reduce fraud, error and abuse.

Since these changes were made, retail food prices, inflation, unemployment and related factors have driven program costs beyond the Congressionally-imposed ceilings in the 1977 legislation. While Congress did approve additional funds to maintain benefits for the poor in the final weeks of fiscal 1979, the same public issue looms in the current fiscal year. If the spending limit is not removed, the U.S. Department of Agriculture (USDA) must begin cutting benefits for food stamp users this spring.

The current funding crisis has caused many to question whether the food stamp program is still accomplishing its original mission: to feed those who are truly needy and to support farm income.

#### WHO GETS FOOD STAMPS NOW?

The first major study of the food stamp program since the 1977 changes indicates the reforms are doing what they were designed to do: get benefits to more of the poorest people and reduce benefits for those who are less poor.

To achieve these objectives, income limits for obtaining food stamp coupons were lowered to the official poverty level and the number of deductions allowed from total income was cut from 8 to 3. This eliminated an estimated 500,000 to 700,000 people with higher incomes from the program and reduced benefits for several million more.

But the reforms, which included eliminating the requirement that poor people put up some of their own money to get food stamps, also brought 3.5 million new participants into the program. They had been eligible but they didn't have the cash needed to participate.

Most of these people, the study showed, are from rural areas. In the smallest, most rural areas of the country (those with less than 5,000 people getting food stamps), participation in the food stamp program increased by 42 percent, while participation in the largest, most urban areas increased by only 8 percent.

The number of elderly households using food stamps has grown by 32 percent since the purchase requirement was dropped, while participation by all other households grew by only 14 percent.

New regulations which took effect January 1 should encourage more elderly as well as disabled people to use food stamps. These changes will increase the deductions the elderly and disabled are allowed for excessively high medical, housing and utility costs that help determine eligibility for food stamps and the amount of benefits.

More working poor families have come into the food stamp program. Since the reforms took effect, the percentage of food stamp users who do not also receive public assistance has increased from 52 to 56 percent of the total number of recipients. Part of that growth is due to the entry of more working families into the program.

The new participants are poorer than expected, with most of these households having gross incomes below \$3,600 a year. This poverty shows signs of worsening as food stamp recipients fall behind other Americans in the effort to keep pace with inflation. While the overall average income of Americans has gone up 40 percent in the past 4 years--slightly ahead of a 30 percent rise in the cost of living--the incomes of food stamp users rose by only 7 percent in this period.

Other recent studies parallel these findings. They show, for example, that nearly two-thirds of all food stamp households do not own a car and 60 percent have no savings.

Strikers constitute well under 1 percent of the food stamp caseload; students, less than 2 percent.

Sixty percent of the people getting food stamps are either the very young or the very old.

The reform provisions also include tough anti-fraud measures. Among other things, the new rules disqualify for 3 to 27 months all persons found guilty of fraud and increase federal funds to encourage states to investigate and prosecute food stamp fraud. And beginning this year, people will be required to pay back the value of food stamps received fraudulently before they can re-enter the program.

As a preventive measure, food stamp applicants will be required to furnish social security numbers for all household members to facilitate cross-checking of income from other sources.

## HOW DO FOOD STAMP SHOPPERS USE THEIR STAMPS?

Contrary to what many believe, the food stamp shopper gets more nutrition for the food dollar than other customers. According to a recent study by Dr. Donald West of Washington State University, food stamp users buy less expensive food, more economical cuts of meat, more pork and poultry, fewer bakery products and significantly fewer snacks than cash customers. They buy more whole milk, flour and cereals. And they spend only a fourth of what other consumers spend eating out.

Their buying habits are shaped by the amount of food stamps they get--36 cents per person per meal.

The buying patterns of food stamp shoppers differ in other ways too. They tend to shop less frequently than other shoppers because they get their food stamps only once a month and therefore buy more food at one time.

## WHAT IS THE ECONOMIC IMPACT OF FOOD STAMPS?

Despite the modest buying habits of food stamp shoppers, they collectively pack a substantial economic punch. This is partly because their spending habits differ from other consumers in more ways than just the amount they spend.

Most Americans, for example, spend only about 60 percent of their incomes on necessities (food, shelter, medical care and household utilities). The poor, however, must spend nearly 90 percent of what they have on necessities. It means that any additional resources like food stamps--with the pressures of poverty and inflation--tend to get spent right away and thus are returned immediately to the economy.

In 1979 the poor spent \$3 billion more on food than they would have without the food stamp program. Of that increased spending, the farmer's share was \$1 billion.

The additional demand resulted in purchases of \$481 million for meats, \$167 million for dairy products, \$82 million for fruits and vegetables, \$46 million for eggs, \$43 million for cereal and bakery products and \$89 million for other farm-produced foods.

While the value of food stamps issued in 1978 was 3.9 percent of the total sales of foods through retail stores, they were especially beneficial to independent businesses (firms with less than 11 stores). A 1976 survey of these firms found that they had 52 percent of total food stamp redemptions but only 41 percent of total grocery sales.

Greater food buying by the poor increased the incomes of food processors and distributors by about \$1.4 billion.

Results of a recent study by USDA economists show that food stamps have had the most dramatic economic impact in America's most disadvantaged counties --the 49 largely rural counties with the highest infant mortality rates in 1967. Most of these are in the rural south and southwest.

Between 1967 and 1976 grocers in these counties saw their per capita food sales grow by 12 percent (in non-inflated dollars)--far ahead of other counties. Food stamps accounted for nearly 16 cents of every dollar increase in these sales. Most other counties registered little or no increase in per capita retail food sales over the decade.

Economists say that if the program were cut, farmers would lose about \$140 million for every \$1 billion reduction in food stamp spending. Food distributors--including processors, packers, wholesalers and retailers--would lose about \$210 million and food expenditures in general would drop by \$350 million, even though food stamp users would substitute some of their own money for the stamps that were cut.

#### EVIDENCE OF BETTER HEALTH

Perhaps the best evidence that food stamps are getting to those they're intended for is the recent report of the Field Foundation. In 1977, the Foundation sent a team of doctors back to the same poverty-stricken areas visited in 1967.

Where they had earlier seen widespread poverty and malnutrition, the doctors reported in 1977:

--Strikingly less evidence of gross malnutrition, even though housing and unemployment had not improved.

--A 33 percent drop in overall infant mortality and a 50 percent decrease in infant deaths from poverty and hunger related factors such as influenza, pneumonia and immaturity.

--More food and better quality food.

--Nearly all progress in eliminating instances of extreme hunger was attributable to federal food programs.

--In rural Missouri--"food stamps are absolutely essential in keeping people from going hungry."

--In eastern Arkansas--"The food stamp program brings food into the most terrible situations."

--In the Mississippi Delta--"In the one working refrigerator there were fresh milk and meat...and the children's health and liveliness reflect this."

--"The food stamp program does more to lengthen and strengthen the lives of disadvantaged Americans than any other noncategorical social program" and "is the most valuable health dollar spent by the federal government."

A recent study by USDA economists parallels the Field Foundation report. The findings show that the most impoverished counties in the United States gained the most in federal food assistance money--mainly from food stamps--between 1967 and 1976.

In these counties, primarily in the rural south and southwest, the average per capita value of the federal assistance rose from \$22 in 1967 to \$154 in 1976. In the nation's highest income counties, however, the value of the assistance rose from \$2.04 per person to just \$26.35 in the same period.

Other evidence that the money spent on food assistance for the poor is working comes from a preliminary report of USDA's 1977 household food consumption survey. The findings showed that the gap between the diets of the poor and those of higher income groups had narrowed considerably since the previous survey in 1965. Low-income people had increased their intake of almost all vitamins and minerals. They consumed more meat, fish and poultry; increased their use of vegetables, and added more fruits, especially citrus fruits and juices, to their diets.

The findings also showed, however, that 3 percent of all households responding to the survey--representing some 7 million people--reported they still do not get enough food to eat, an indication that hunger has not yet been completely eliminated.

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