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The Food Assistance Landscape

September 2003



Domestic food assistance programs account for over half of the U.S. Department of Agriculture's (USDA) outlays. Each year, about 1 in 5 Americans is served by 1 or more of the 15 food assistance programs aimed at improving the nutrition, well-being, and food security of needy Americans. The Economic Research Service (ERS) is responsible for conducting studies and evaluations of USDA's food assistance programs, focusing on the benefits of improved diets and food choices, factors that influence diet and nutrition, and program outcomes. This report uses preliminary data from USDA's Food and Nutrition Service (FNS) to examine trends in the food assistance programs at the midpoint of fiscal 2003. It also discusses two recent congressionally mandated studies conducted by ERS: an assessment of WIC cost-containment practices, and an evaluation of the USDA Fruit and Vegetable Pilot Program.





Expenditures for Food Assistance Programs Increase

Expenditures for USDA's food assistance programs totaled \$20.9 billion during the first half of fiscal 2003 (October 1, 2002, to March 31, 2003), a 7-percent increase over the first half of fiscal 2002. If this higher level continues through the second half of fiscal 2003, total expenditures for the year will exceed the historical record of \$38.1 billion spent on food assistance in fiscal 1996.

Five programs—the Food Stamp Program, the National School Lunch Program, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the School Breakfast Program, and the Child and Adult Care Food Program—accounted for 94 percent of USDA's total expenditures for food assistance. Each of these five major programs expanded to varying degrees during the first half of fiscal 2003.

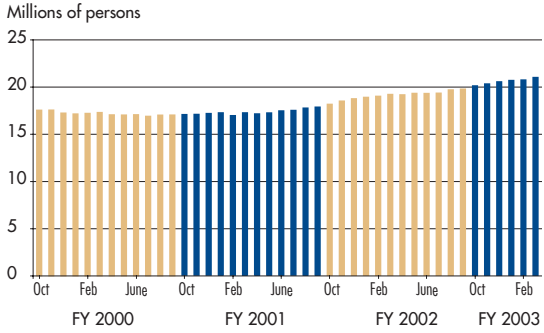
Food Stamp Program Continues to Grow

As the cornerstone of USDA's food assistance programs, the Food Stamp Program provides monthly benefits for eligible participants to purchase approved food items at authorized food stores. The program is available to most needy households (subject to certain work and immigration status requirements) with limited income and assets. During the first half of fiscal 2003:

- Spending for the Food Stamp Program totaled \$11.4 billion, or over half (54 percent) of total USDA expenditures for food assistance.
- Expenditures for the Food Stamp Program increased almost 13 percent relative to the first half of the previous fiscal year, making it the fastest growing food assistance program. This dramatic increase in expenditures was due to both increased participation and an increase in the average amount of the per person benefit.
- Participation in the program averaged 20.6 million people per month, or almost 10 percent more than during the same period in the previous year. If this current level of participation continues through the second half of fiscal 2003, it would result in the largest number of participants in 6 years.

- Monthly participation in the program increased in each of the first 6 months of fiscal 2003, a continuation of a longer term trend: Since August of fiscal 2000, participation in the Food Stamp Program has increased in 28 of the last 32 months.
- Benefits per person averaged \$83.32 per month, an increase of \$3.32 (or 4 percent) from the first half of fiscal 2002.

Monthly participation in the Food Stamp Program continued to grow in the first half of fiscal 2003

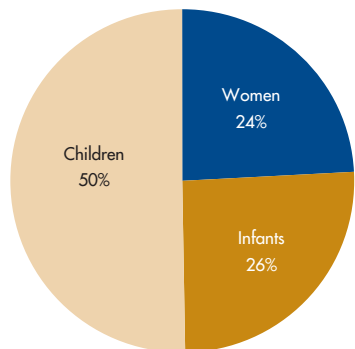


WIC Participation Levels Off

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) helps safeguard the health of low-income pregnant, breastfeeding, and postpartum women, and infants and children up to age 5 who are at nutritional risk, by providing a package of supplemental foods, nutrition education, and health care referrals. During the first half of fiscal 2003:

- Spending for WIC totaled \$2.2 billion, or 2 percent more than in the first half of the previous year.
- Monthly participation in WIC averaged 7.5 million people, an increase of 1 percent over the same period in fiscal 2002.
- Children comprised 50 percent of all WIC participants, while women accounted for 24 percent and infants 26 percent.

Children account for half of all WIC participants





Federal Nutrition Assistance At-A-Glance

Program		FY 2002		FY 2003
		Full year	1 st half	1 st half
Food Stamp Program	Average monthly participation (millions)	19.1	18.8	20.6
	Average benefit per person (dollars/month)	79.62	80.0	83.32
	Total expenditures (\$ billions)	20.7	10.1	11.4
WIC	Average monthly participation (millions)	7.5	7.5	7.5
	Total expenditures (\$ billions)	4.3	2.1	2.2
National School Lunch Program	Average daily participation (millions)	28.0	28.2	28.4
	Total expenditures (\$ billions)	6.9	4.1	4.3
School Breakfast Program	Average daily participation (millions)	8.1	8.2	8.4
	Total expenditures (\$ millions)	1,567	927	962
Child and Adult Care Food Program	Meals served in:			
	• child care centers (millions)	984	497	515
	• family child care homes (millions)	708	346	340
	• adult day care centers (millions)	45	21	23
	Total expenditures (\$ millions)	1,855	922	957
Total program expenditures	Total expenditures (\$ billions)	38.0	19.5	20.9

Note: The figures are based on preliminary data provided by the Food and Nutrition Service as of May 2003 and are subject to revision. Total program expenditures include other food assistance programs not shown in table.

- Per person food costs averaged \$34.87, about the same as during the first 6 months of the previous year.

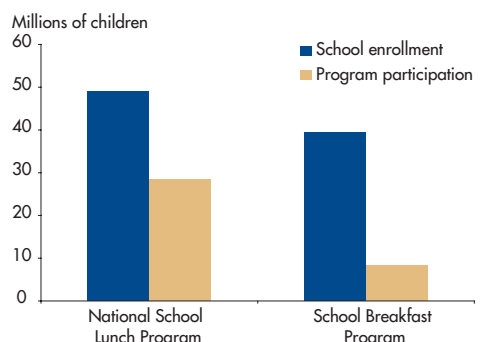
National School Lunch Program Grows Slightly

The National School Lunch Program provides nutritious low-cost or free lunches to schoolchildren. Schools that participate in the National School Lunch Program receive cash and some commodities from USDA to offset the cost of food service. In return, the schools must serve lunches that meet Federal nutritional requirements and offer free or reduced-price lunches to needy children. Any child at a participating school may enroll in the program. Children from families with incomes at or below 130 percent of the Federal poverty guidelines are eligible for free meals, and those from families between 130 and 185 percent of the poverty guidelines are eligible for reduced-price meals. Children from families with incomes over 185 percent of the poverty guidelines pay a full price, though their meals are still subsidized to a small extent. Over 90

percent of all elementary and secondary students in the United States attend a school that participates in the program. In the first half of fiscal 2003:

- Spending for the program totaled \$4.3 billion, a 3-percent increase over the same period the previous year.
- An average 28.4 million children participated in the program each school day. This represented about 59 percent of all children attending a participating school or institution.

A higher proportion of children enrolled in participating schools and institutions participate in the National School Lunch Program than in the School Breakfast Program





- A total of 2.9 billion school lunches were served, or about the same as during the first 6 months of fiscal 2002.
- Almost half (48 percent) of the school lunches served were provided free to students and another 10 percent were provided at a reduced price.
- A total of 878 million meals were served, an increase of about 2 percent from the first half of fiscal 2002.
- About 58 percent of all meals served were in child care centers, 39 percent were in family child care homes, and 3 percent in adult care centers.

School Breakfast Program Expands Modestly

The School Breakfast Program provides low-cost breakfasts to school children, with students from low-income families receiving free or reduced-price meals (eligibility requirements are the same as those for the National School Lunch Program). Almost three-quarters of all elementary and secondary students in the United States attended a school that participates in the program. During the first half of fiscal 2003:

- An average 8.4 million children participated in the program each school day, or about 22 percent of all children attending a participating school or institution.
- Spending for the program totaled \$962 million, almost 4 percent more than in the same period the previous year.
- A total of 849 million breakfasts were served, or about 2 percent more than in the first half of fiscal 2002.
- Almost three-quarters (74 percent) of these breakfasts were provided free to students and another 9 percent were provided at a reduced price.
- About 66 percent of the breakfasts served in the program received "severe need" reimbursements (schools may qualify for these higher "severe need" reimbursements if a specified percentage of their lunches are served free or at reduced price.)

Child and Adult Care Food Program Continues To Expand

The Child and Adult Care Food Program subsidizes healthy meals and snacks in participating child care centers and homes and adult day care facilities. The providers of care are reimbursed for each type of qualifying meal (breakfast, lunch/supper, or snack) they serve. During the first half of fiscal 2003:

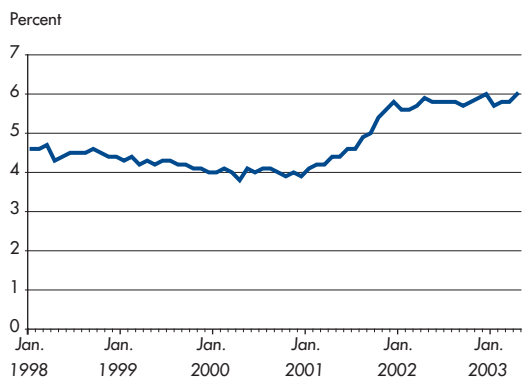
- Expenditures for the program totaled \$957 million, an increase of almost 4 percent from the first half of the previous year.

Economic and Social Indicators

Economic and social conditions affect participation in and expenditures on the food assistance programs through their influence on: (1) the size of the eligible population; (2) the rate of participation among eligible people; and (3) benefit levels. Historically, changes in the country's economic conditions significantly affect participation in the Food Stamp Program. For example, the number of food stamp recipients typically rises during recessionary periods when the number of unemployed and poor persons increases, and falls during periods of growth as the number of unemployed and poor persons decreases.

March 2001 marked the beginning of a recession, defined by the National Bureau of Economic Research as a significant decline in activity spread across the economy that lasts more than a few months. Several economy-wide measures of economic activity are used in determining recessionary periods, including the national employment situation. The labor market was weak during the first half of 2003, as the economy remained sluggish. Since November 2001, the monthly unemployment rate has remained above 5.5 percent. In May 2003, the unemployment rate rose to 6.1 percent, the highest level in almost 9 years. The weak job market explains at least in part the increase in the number of food stamp participants during the first half of fiscal 2003.

Monthly unemployment rate in 2003 remains high



Source: U.S. Department of Labor, Bureau of Labor Statistics.



Research Update

In early 2003, ERS released results from two congressionally mandated studies pertaining to food assistance.

Assessment of WIC Cost-Containment Practices.

The mission of the WIC program is to safeguard the health of low-income women, infants and children who are at nutritional risk by providing nutritious foods to supplement diets, information on healthy eating, and referrals to health care. In an effort to ensure the best use of available funds and to provide benefits to all eligible individuals, State WIC agencies have implemented practices designed to reduce the cost of food packages containing the prescribed foods. These practices include limiting authorized vendors to stores with lower food prices; limiting food-item selection according to brand, package size, form, or price; and using exclusive brand restrictions in exchange for rebates from food manufacturers or suppliers. Despite potential cost savings, concerns have been raised that cost-containment practices may reduce WIC participants' access to authorized vendors, and reduce participant satisfaction with allowed food items, leading to lower consumption of certain foods or even a decision to leave the program.

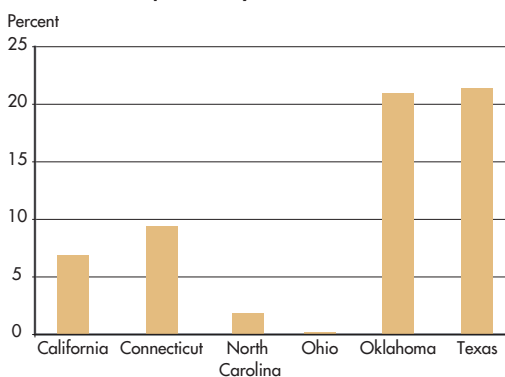
At the request of Congress, ERS initiated a study to assess the impact of WIC cost-containment practices used by States to reduce food costs. In accordance with the legislation authorizing this study, infant formula rebates were not assessed. Six States, representing a range of cost-containment practices, were selected for case studies: California, Connecticut, North Carolina, Ohio, Oklahoma, and Texas. The study draws three major conclusions: (1) cost-containment practices reduced average food package costs by 0.2 percent to 21.4 percent, depending on practices implemented and local conditions; (2) the cost-containment practices had few adverse outcomes for WIC participants; and (3) administrative costs of the practices were low, averaging about 1.5 percent of food package savings.

The study provides strong evidence that cost-containment practices can be effective without jeopardizing WIC program goals. Selecting and managing appropriate cost-containment practices is a dynamic process, requiring ongoing attention to local food markets (especially price and availability of federally approved food items) and participant preferences. The

success of cost containment in the six case-study States was the result of ongoing efforts by the States to find those restrictions that both reduced food package costs and were acceptable to participants.

More information on the study can be found in *Assessment of WIC Cost-Containment Practices: Executive Summary* (FANRR-31, U.S. Department of Agriculture, Economic Research Service, 2003) available at www.ers.usda.gov/publications/fanrr31/.

Reduction in average food package costs attributed to cost-containment practices by States



Evaluation of the USDA Fruit and Vegetable Pilot Program.

To promote fresh fruit and vegetable consumption among the Nation's schoolchildren, the Nutrition Title of the 2002 Farm Act provided \$6 million for USDA to award to schools through a Fruit and Vegetable Pilot Program (FVPP) for the 2002-03 school year. The FVPP provided fresh and dried fruits and fresh vegetables free to children in 107 elementary and secondary schools—100 schools in 4 States (25 each in Indiana, Iowa, Michigan, and Ohio) and 7 schools in the Zuni Indian Tribal Organization in New Mexico. Pilot funds were allocated to each school on a per student basis, amounting to \$94 on average per student. The intent of the pilot was to determine the feasibility of such a program and its success as determined by the students' interest in participating. Congress directed ERS to evaluate the pilot.

Results from the evaluation indicate that the FVPP was popular among most students, parents, school teachers, principals, pilot managers, foodservice staff, and State representatives. Of the 105 schools reporting on feasibility, 100 schools thought that it would be feasible to continue the program beyond the pilot if funding were continued. Schools reported that 80 percent of students were very interested in the pilot and 18 percent were



somewhat interested, and 71 percent of the schools believed that students' interest had increased during the pilot period.

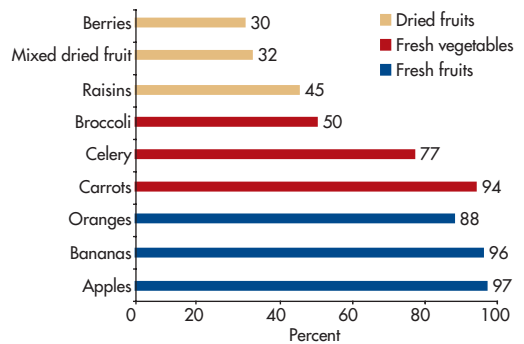
Nearly everyone identified potential health or other benefits to students from the pilot. School staff believed that the pilot lessened the risk of obesity, increased attention in class, reduced the consumption of less healthy food, helped children who would otherwise be hungry get more food, and increased students' consumption of fruits and vegetables at lunch. Some of the reasons that children liked the pilot were that they got to eat favorite fruits and vegetables more often, they liked the health benefits of eating these foods, it was a welcome break from normal classroom activity, and they could eat the foods as a breakfast substitute.

Many schools reported that the 10-percent cap on paying nonfood costs out of grant money was too restrictive. Nonfood costs include administrative costs necessary to implement the pilot, such as extra labor, storage, and equipment. Nationwide expansion of the program at a level comparable to that of the pilot would cost an estimated \$4.5 billion, based on an average cost of \$94 per student and a count of 48.2 million children in public schools in 2001.

Costs would be somewhat higher if private schools also participated. These estimates do not include the costs and burden for USDA's Food and Nutrition Service (FNS)—the agency responsible for implementing the pilot—or for State departments of education and health to administer and support an expanded program. Costs could be lower if fruits and vegetables were offered only once a day.

The full results of the study can be found in *Evaluation of the USDA Fruit and Vegetable Pilot Program: Report to Congress* (E-FAN-03-006, U.S. Department of Agriculture, Economic Research Service, 2003) available at www.ers.usda.gov/publications/efan03006.

Most commonly purchased fruits, vegetables, and dried fruits, by share of schools



Additional Information

Information on food assistance research can be found on the ERS website's food and nutrition assistance briefing room at www.ers.usda.gov/briefing/foodnutritionassistance. Information on USDA's food assistance programs can be found on the Food and Nutrition Service website at www.fns.usda.gov/fns. For more information on this report, contact Victor Oliveira at victoro@ers.usda.gov.



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