

Impact of USDA's Supplemental Nutrition Assistance Program (SNAP) on Rural and Urban Economies in the Aftermath of the Great Recession

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What Is the Issue?

The Supplemental Nutrition Assistance Program (SNAP), the largest domestic anti-hunger program in the United States, provides nutrition assistance payments to eligible Americans for food purchases. In economic downturns, SNAP rapidly increases program enrollments, providing benefits to U.S. households affected by unemployment and underemployment. As an automatic stabilizer, recipient households' expenditures of these SNAP benefit outlays generate positive economic impacts that partially offset the contractionary effects induced by a recession.

The Great Recession (2007–09) induced high unemployment and underemployment levels that persisted through the recovery period (2009–14). In addition, the 2009 American Recovery and Reinvestment Act authorized increased benefit levels and allowed States to ease certain SNAP eligibility requirements. As a result, real SNAP benefit outlays to eligible households (in 2014 dollars) more than doubled from the pre-recession level of \$34.7 billion in 2007, to an average of \$71 billion per year during the 2009–14 recovery period. This report provides a quantitative assessment of the importance of these SNAP benefit outlays in stimulating industry output, employment, and household incomes during the recovery period. The report also describes how those impacts differ between rural and urban economies.

What Did the Study Find?

SNAP benefits can only be spent on food-at-home items—farm and food processed goods. However, SNAP benefits free up money that the household would otherwise need to spend on food. Thus, each dollar of SNAP benefits leads to a net increase in food spending of less than \$1, with freed-up resources spent on other goods and services. While \$71 billion in SNAP benefits were spent on food each year during this period, we estimate that households' substitution of SNAP for other income resulted in a net annual increase of \$26.7 billion in food-at-home purchases as well as a net annual increase of \$44.3 billion in nonfood purchases through freed-up resources. These estimates form the basis for simulations of how SNAP stimulates economic output and employment in the rural and urban economies.



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We estimate that SNAP benefits spent by eligible households generated an annual increase in rural and urban industry output of \$48.8 billion and \$149.3 billion, respectively, while sustaining the employment of 279,000 rural workers and 811,000 urban workers. The expenditures of SNAP benefit outlays generated larger impacts in the rural economy when measured as shares of baseline output and employment. SNAP benefit outlays during this 2009–2014 period:

- Increased rural output and employment by 1.25 percent and 1.18 percent, respectively, compared to increases in urban output and employment of 0.53 percent and 0.50 percent, respectively.
- Increased rural household incomes by 0.68 percent and urban household incomes by 0.28 percent during this post-recession period.

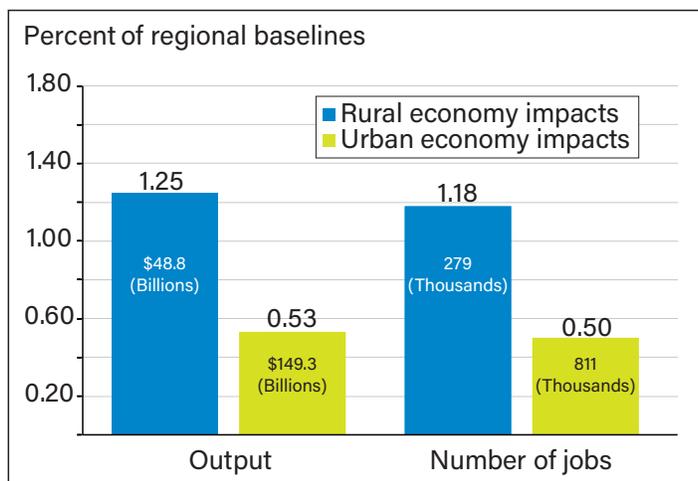
Two factors contributed to the larger relative impact of SNAP on the rural economy during the 2009–14 recovery period:

- The relative role of farm and food processing sectors in rural economies: Farm and food processing sectors together accounted for about 14.2 percent of total rural economic output, but only 3.5 percent of total urban economic output.
- The relative role of demand spillovers between the urban and rural economies: Urban SNAP benefits (\$59.3 billion annually) stimulated an estimated \$30 billion per year in output supplied by rural industries, while rural SNAP benefits (\$11.7 billion annually) generated an estimated \$13.8 billion per year in output supplied by urban industries.
 - In percentage terms, the effect of urban SNAP spending accounted for 61.3 percent of the total impact of SNAP on rural output, while rural SNAP spending accounted for only 9.2 percent of the total SNAP-induced impacts on urban output.

Total annual regional output and employment impacts induced by recipient households’ annual expenditures of \$71 billion in SNAP benefit outlays during the years 2009–14: percent of regional baselines

Notes: SNAP = Supplemental Nutrition Assistance Program. Bar heights represent percent change from baseline levels while numbers inside the bars give absolute changes in output and employment. While impacts on urban output and employment were larger in absolute terms, impacts on the rural economy were larger as a percent of baseline output and employment.

Source: USDA, Economic Research Service calculations from 2014 U.S. base level data, IMPLAN Group, LLC.



How Was the Study Conducted?

This report uses a set of Social Accounting Matrix (SAM) multiplier models to simulate the impacts of household expenditures of SNAP benefits on industry output, value-added income, household income, and employment in the rural and urban economies. The SAM models of the rural and urban economies (and the U.S. economy as a whole) were developed from region- and sector-specific data extracted from the 2014 IMPLAN (Impact Analysis and Planning) database. Other data used to develop the model scenarios include national-level data for the years 2001–2014 on SNAP benefit outlays published by USDA’s Food and Nutrition Service, county-level data for the years 2008–2014 on SNAP benefits disbursed published by the Bureau of Economic Analysis, and data for 2005 and 2010 on benefits received by household income group from the Survey of Income and Program Participation.