



The Food Assistance Landscape

FY 2007 Annual Report



At some point during the year, about 1 in 5 Americans participates in at least 1 of USDA's 15 domestic food and nutrition assistance programs that provide children and needy families better access to food and a more healthful diet. About 60 percent of total USDA outlays go to these programs, which vary by size, target population, and type of benefits provided. The Economic Research Service (ERS) conducts studies and evaluations of these programs. This report uses preliminary data from USDA's Food and Nutrition Service (FNS), the agency responsible for managing the programs, to examine trends in the food assistance programs through fiscal 2007 (October 1, 2006, to September 30, 2007). It also discusses a series of recent ERS reports that compile evidence to help answer the question of whether the Food Stamp Program can do more to improve the food choices of participants.





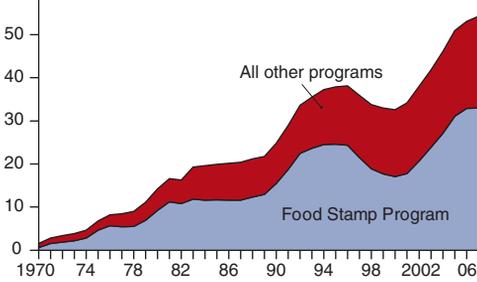
Expenditures for Food Assistance Increase Slightly

Federal expenditures for USDA's food assistance programs totaled \$54.3 billion in fiscal 2007, or over 2 percent more than in the previous fiscal year. This rise marked the seventh consecutive year in which food assistance expenditures increased and the fifth consecutive year in which they exceeded the previous historical record.

The five largest food assistance programs—the Food Stamp Program, the National School Lunch Program, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the Child and Adult Care Food Program, and the School Breakfast Program—accounted for 95 percent of USDA's expenditures for food assistance. Each of the five major programs expanded to varying degrees during fiscal 2007.

USDA expenditures for food assistance reach record high in FY 2007

Billion dollars



Note: Expenditures are in nominal terms (not adjusted for inflation).

Food Stamp Program Participation Levels Off

The Food Stamp Program is the cornerstone of the food assistance programs, accounting for 61 percent of all Federal food assistance spending in fiscal 2007. The program provides monthly benefits for eligible participants to purchase approved food items at authorized food stores. Unlike the other food assistance programs that are targeted toward specific categories of the population, the Food Stamp Program is available to most needy households with limited income and assets (subject to certain work and immigration status requirements). During fiscal 2007:

- Federal spending for the program reached \$33 billion, exceeding the previous record high of \$32.9 billion set the previous year. This increase in expenditures—less than 1 percent—was the smallest in 7 years.

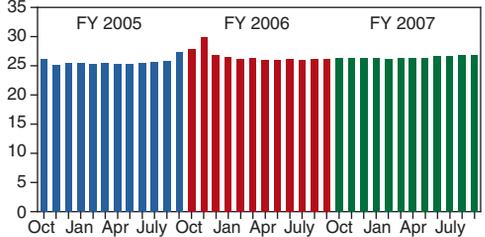
- Average monthly participation fell 1 percent over the previous fiscal year to an average 26.5 million people, the first decline in participation in 7 years.

- Participation during the first 5 months of fiscal 2007 was below that of the same period the previous year. This decrease was largely due to the spike in participation in early fiscal 2006 in the aftermath of Hurricanes Katrina, Wilma, and Rita in the Gulf Coast States. Participation during each of the last 7 months of fiscal 2007 was slightly above that of the same period the previous year.

- Benefits per person averaged \$95.64 per month, an increase of 1 percent over the previous year.

Monthly food stamp participation, FY 2005-07

Million people



WIC Program Spending Increases

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 healthcare referrals. During fiscal 2007:

- Spending for WIC totaled \$5.5 billion, or 8 percent more than the previous year, making it the fastest growing food assistance program.

- An average of 8.3 million people per month participated in the program, 2 percent more than in the previous fiscal year. The number of infants increased 4 percent, women 3 percent, and children 1 percent.

- Forty-nine percent of all participants were children (ages 1-4), 26 percent were infants, and 25 percent were women.

- After rebates, per person food costs averaged \$39.15, an increase of almost 6 percent from the previous fiscal year. After experiencing stable or decreasing per person food costs in the late 1980s and early

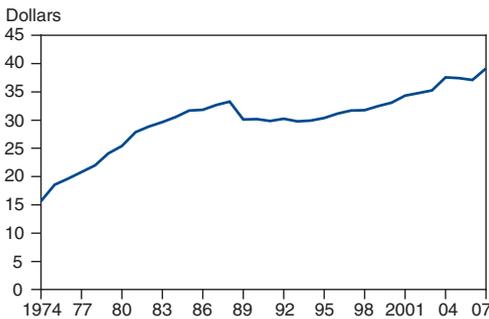


Federal nutrition assistance at a glance

Program		FY 2006	FY 2007	Change
Food Stamp Program	Average monthly participation (millions)	26.7	26.5	-0.8%
	Average benefit per person (dollars/month)	94.32	95.64	1.4%
	Total annual expenditures (\$ billions)	32.9	33.0	0.3%
WIC	Average monthly participation (millions)	8.1	8.3	2.4%
	Total expenditures (\$ billions)	5.1	5.5	7.8%
National School Lunch Program	Average daily participation (millions)	30.1	30.6	1.4%
	Total expenditures (\$ billions)	8.2	8.7	6.4%
School Breakfast Program	Average daily participation (millions)	9.8	10.1	3.8%
	Total expenditures (\$ billions)	2.0	2.2	5.8%
Child and Adult Care Food Program	Meals served in:			
	• child care centers (millions)	1,132.7	1,159.7	2.4%
	• family day care homes (millions)	638.4	626.2	-1.9%
	• adult day care centers (millions)	59.5	60.5	1.8%
	Total expenditures (\$ billions)	2.2	2.2	3.7%
All programs	Total expenditures (\$ billions)	53.1	54.3	2.3%

Note: The figures are based on preliminary data provided by the Food and Nutrition Service as of November 2007 and are subject to change. Total program expenditures include figures from other programs not shown in table.

Average monthly WIC food cost per person has risen in the last decade



1990s, WIC food costs have generally been increasing since.

National School Lunch Program Expands

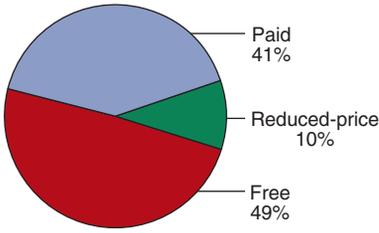
The National School Lunch Program provides nutritious low-cost or free lunches to schoolchildren. Schools that participate in the National School Lunch Program receive cash and some commodities from USDA to offset the cost of food service. In return, the schools must serve lunches that meet Federal nutrition 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 percent 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 full price, although their meals are still subsidized to a small extent. During fiscal 2007:

- Spending for the program reached \$8.7 billion, 6 percent more than in the previous year.
- An average of 30.6 million children participated in the program each schoolday, representing about 60 percent of all children attending a participating school or institution.
- The number of lunches served rose to 5.1 billion, an increase of 1 percent over fiscal 2006.
- Almost half (49 percent) of the school lunches served were provided free to students, and another 10 percent were provided at a reduced price.



Meals served in the National School Lunch Program by type of reimbursement, FY 2007

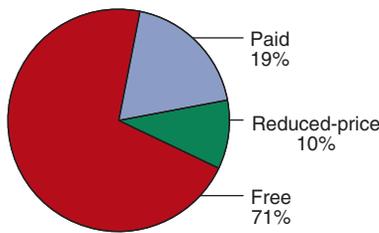


School Breakfast Program Grows

The School Breakfast Program provides low-cost breakfasts to schoolchildren, 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). During fiscal 2007:

- An average of 10.1 million children participated in the program each schoolday, 4 percent more than the previous fiscal year. On a typical day, about 24 percent of all children attending a participating school or institution participated in the program.
- Spending for the program totaled \$2.2 billion, 6 percent more than in the previous year.
- A total of 1.7 billion breakfasts were served, 3 percent more than in fiscal 2006.
- Seventy-one percent of these breakfasts were provided free to students, and another 10 percent were provided at a reduced price.

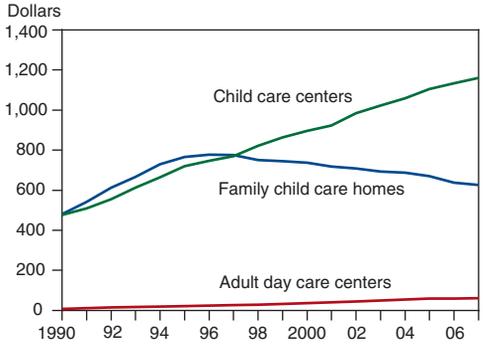
Meals served in the School Breakfast Program by type of reimbursement, FY 2007



Child and Adult Care Food Program Grows in Care Centers but Declines in Family Child Care Homes

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 fiscal 2007:

Meals served in the Child and Adult Care Food Program, FY 1990-2007



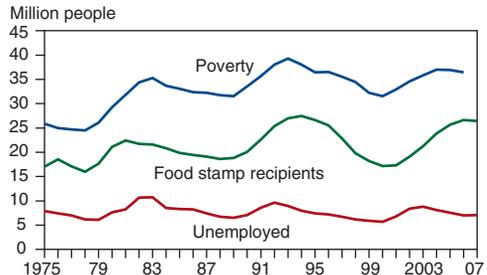
- Program expenditures totaled \$2.2 billion, 4 percent greater than the previous year.
- A total of 1.8 billion meals were served, 1 percent more than in fiscal 2006. While the number of meals served in adult day care centers and child care centers both increased by 2 percent in fiscal 2007, the number of meals served in family child care homes fell by 2 percent. This decline continues a trend since 1996, when welfare reform legislation refocused the family child care homes component of the program to serve more low-income children.

Economic and Social Indicators

Economic and social conditions affect participation in and spending 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 people increases, and falls during periods of economic growth as the number of unemployed and poor people decreases.

The unemployment rate was 4.6 percent in 2007, the same as in 2006 and the first time

Number of food stamp recipients, unemployed, and people in poverty, 1975-2007





Selected economic and social indicators, 2005-07

Indicator	2005	2006	2007
Population in July (millions)	296.5	298.8	301.6
Persons in poverty (millions)	37.0	36.5	NA
Poverty rate (%)	12.6	12.3	NA
Median household income (2006 dollars)	46,326	48,201	NA
Civilian unemployment rate (%)	5.1	4.6	4.6
Real GDP (% change) ¹	3.2	2.9	NA
Food-insecure households (thousands)	12,586	12,648	NA
Very-low-food-security households (thousands)	4,428	4,617	NA
CPI for all items (% change) ²	3.4	3.2	2.8
CPI for food (% change)	2.4	2.4	4.0
CPI for food at home	1.9	1.7	4.2
CPI for food away from home	3.1	3.1	3.6
TANF recipients in June (thousands) ³	4,450	4,127	3,902
School enrollment (thousands)	55,139 (P)	55,524 (P)	55,762 (P)

Note: NA = Data not available. (P) = Projected.

¹Gross domestic product. ²Consumer Price Index. ³Temporary Assistance for Needy Families.

since 2003 that the unemployment rate did not decrease. While unemployment stabilized, food stamp participation fell slightly in fiscal 2007. The decrease can be attributed to the rise in food stamp participation in early fiscal 2006 when food stamp assistance was provided to hurricane victims in the Gulf Coast States.

Research Update: Can Food Stamps Do More To Improve Food Choices?

The increased food-purchasing power offered by the Food Stamp Program has been found to promote food security and improve the overall economic well-being of low-income households. However, its effect on the quality of recipients' diets is less clear. Food stamp recipients, like other Americans, struggle with nutrition problems that are associated with food choices, as well as amounts. The prevalence of obesity and diabetes is increasing. Underconsumption of fruits and vegetables—healthful foods that are rich in nutrients while relatively low in calories—is a particular problem. If program changes were successful in promoting healthful food choices among the 26 million low-income Americans participating in the Food Stamp Program, these changes could yield considerable benefits in reduced medical costs and increased productivity.

A series of recent ERS reports helps answer the question of whether the Food Stamp Program can do more to improve the food choices of participants. Meaningful improvements in the diets of food stamp recipients will likely depend on multiple approaches. Some appear to be more promising than others:

Untargeted increases in food stamp benefits may not do much to improve the nutritional quality of food choices. A general, untargeted increase in food stamp benefits, while increasing household income and food spending, may not improve the nutritional quality of food choices. Other preferences, such as convenience, compete with nutrition in households. Consumer expenditure data indicate that these other competing preferences appear to take priority over spending on fruits and vegetables.

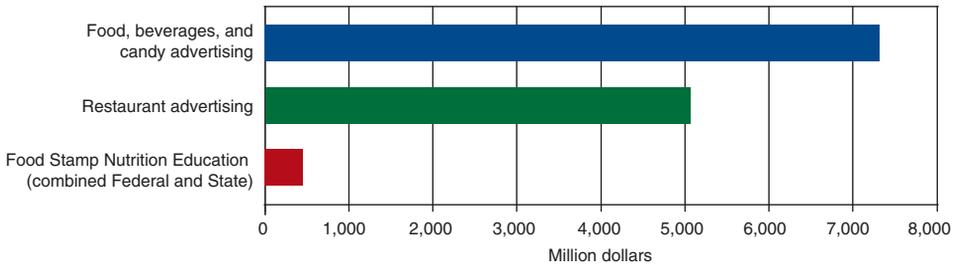
Targeted price manipulation through bonuses or coupons for food stamp participants to purchase fruits and vegetables may be more successful. Offering a bonus to purchase targeted foods essentially lowers the price of the foods. ERS estimates of low-income consumers' response to changes in the price of fruits and vegetables indicate that a 20-percent price reduction would raise fruit and vegetable consumption but not to a level that meets current Federal recommendations for typical adults.

Restricting purchases of "unhealthful" foods and beverages does not appear to be a promising strategy for dietary improvement. Policies that prohibit the use of food stamp benefits for purchasing specific foods, such as candy or soft drinks, may not limit purchase of these foods. Most food stamp recipients use some of their own money as well as food stamp benefits to purchase food and may simply change the mix of foods they purchase with cash versus food stamp benefits. Even if food stamp recipients stop buying prohibited items, many near substitutes are likely to be available. Many diverse food products are available for sale, and the ingenuity of the food industry



Spending on food advertising and Food Stamp Nutrition Education (FSNE), 2005

Although spending on FSNE has grown, it is still dwarfed by food and restaurant advertising



makes the development of new products (for example, a prohibited candy bar adapted into a chocolate “granola bar”) likely. Because preferences have not changed, the consumer still wants to buy foods that are similar to the prohibited ones.

USDA encourages food stamp participants to make nutritious food choices through its support of the Food Stamp Nutrition Education (FSNE) component of the Food Stamp Program. FSNE provides science-based, behaviorally focused nutrition education to food stamp participants and eligible nonparticipants via a partnership between USDA and State agencies. Although nutrition education is meant to elevate consumers’ health preferences, consumers are bombarded with information from other sources that may conflict, confuse, or elevate the salience of other preferences, such as convenience and taste. Nutrition information programs, such as FSNE, have to compete with these other sources of information, which may inhibit the information programs’ effectiveness. For example, spending on advertising for food, beverages, candy, and restaurants far exceeds spending on FSNE.

Nutrition information can prompt consumers to change their food choices—for example, to

shift from whole to low-fat milk. However, consistent dietary improvement is difficult because the individual’s desire for the longrun benefits of nutrition and health can conflict with short-term preferences for taste or convenience. Behavioral economics research has generated new ideas for how policies and environments might be modified to help individuals with such competing preferences act more consistently in their long-term best interest. Some of these ideas, such as allowing participants to pre-commit to buying a certain amount of healthful foods with their food stamp benefits, warrant further investigation.

Improved evaluation data and methods are needed to assess the effects of policy changes. Without adequate evaluation, policymakers will never know whether any changes in Food Stamp Program policies are effective. ERS is working to enhance program evaluation through expanded data and improvements in measures and analytical methodology.

The complete series of reports can be found on the ERS website in *Can Food Stamps Do More To Improve Food Choices? An Economic Perspective*, EIB-29, U.S. Department of Agriculture, Economic Research Service, September 2007, which is available at www.ers.usda.gov/Publications/EIB29/.

Information on food assistance research can be found on the ERS website at www.ers.usda.gov/briefing/foodnutritionassistance and on the FNS Office of Research, Nutrition, and Analysis website at www.fns.usda.gov/oane. Information on USDA’s food assistance programs can be found on the FNS 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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