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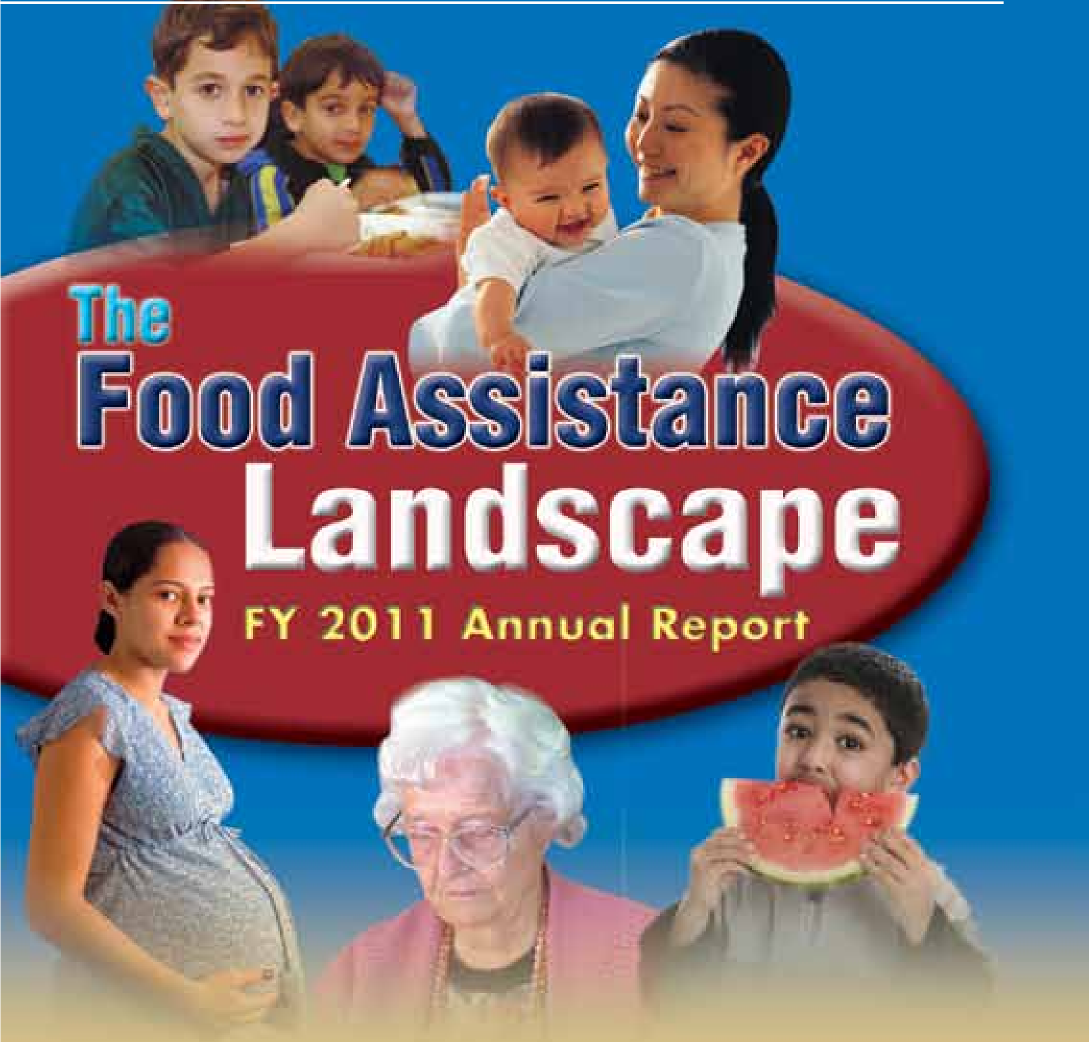


The Food Assistance Landscape

FY 2011 Annual Report

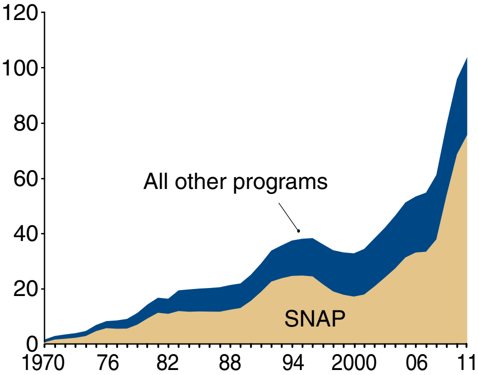
About 1 in every 4 Americans participates in at least 1 of the 15 domestic food and nutrition assistance programs of the U.S. Department of Agriculture (USDA) that provide a nutritional safety net for millions of children and low-income adults. These programs represent a significant Federal investment, accounting for over two-thirds of USDA's budget. USDA's 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 and nutrition assistance programs through fiscal 2011 (October 1, 2010 to September 30, 2011). The report also summarizes several ERS research reports focusing on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) that were released in FY 2011..

ERS
ECONOMIC RESEARCH SERVICE
United States Department of Agriculture

Expenditures for Food Assistance Continue To Increase

Federal expenditures for USDA's domestic food and nutrition assistance programs totaled $103.3 billion in fiscal 2011, or 8 percent more than in the previous fiscal year. This marked the 11th consecutive year in which food and nutrition assistance expenditures exceeded the previous record. Over this period, expenditures for food and nutrition assistance have more than tripled. The five largest programs in fiscal 2011—the Supplemental Nutrition Assistance Program (SNAP), 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 96 percent of USDA's expenditures for food and nutrition assistance. Expenditures for each of these five major programs expanded, to varying degrees, during fiscal 2011.

USDA expenditures for food assistance, FY 1970-2011



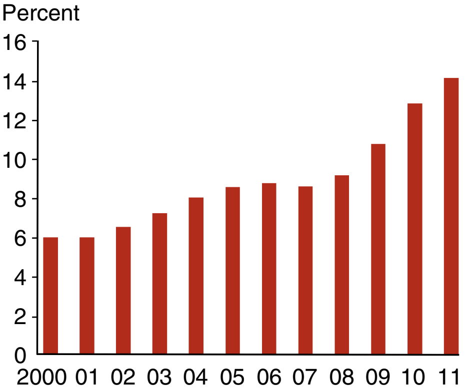
SNAP=Supplemental Nutrition Assistance Program.

Number of SNAP Participants Grows

SNAP is the cornerstone of USDA's food and nutrition assistance programs, accounting for 73 percent of all Federal food and nutrition spending in fiscal 2011. The program provides a monthly benefit to eligible participants for purchasing food items at authorized retailers. SNAP is available to most needy households with limited income and assets (subject to certain work and immigration-status requirements). During fiscal 2011:

- An average of 44.7 million persons per month participated in the program, the largest number ever to participate and 11 percent more than during the previous year. Over the last 4 fiscal years, participation increased in 46 of the 48 months.
- On average, 14 percent of Americans participated in SNAP each month during fiscal 2011, or over twice the rate during fiscal 2000.
- Benefits per person averaged almost $134 per month, about the same as the previous year.
- Federal spending for the program reached $75.3 billion, or 10 percent more than the record of $68.3 billion set the previous year.

Share of Americans participating in SNAP, FY 2000-2011



Note: Estimates were calculated by dividing the annual monthly average of SNAP participants by the July estimates of the U.S. resident population from the U.S. Census Bureau.

Number of WIC Participants Falls

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) helps safeguard the health of low-income pregnant, breastfeeding, and postpartum women, as well as 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 fiscal 2011:

- An average of 9 million people per month participated in the program, or 2 percent fewer than the previous year. Reflecting the continued decrease in U.S. births in recent years, the number of women, infants, and children in the program each decreased by 2 to 3 percent. This marked the first year that participation for all three groups fell.
- Over half (53 percent) of all participants were children, 23 percent were infants, and 23 percent were women.

Federal nutrition assistance at a glance

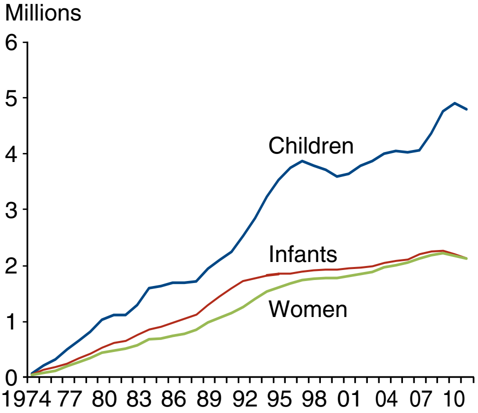
Program		FY 2010	FY 2011	Change
SNAP	Average monthly participation (millions)	40.3	44.7	10.9%
	Average benefit per person (dollars/month)	133.79	133.84	0.0%
	Total annual expenditures ($ billions)	68.3	75.3	10.3%
WIC	Average monthly participation (millions)	9.2	9.0	-2.4%
	Food cost per person (dollars/month)	41.44	46.70	12.7%
	Total expenditures ($ billions)	6.7	7.2	7.6%
National School Lunch Program	Average daily participation (millions)	31.7	31.8	0.0%
	Total expenditures ($ billions)	10.9	11.3	3.5%
School Breakfast Program	Average daily participation (millions)	11.7	12.1	4.0%
	Total expenditures ($ billions)	2.9	3.0	5.6%
Child and Adult Care Food Program	Meals served in:			
	• Childcare centers (millions)	1,248.0	1,273.2	2.0%
	• Family daycare homes (millions)	595.1	582.3	-2.2%
	• Adult daycare centers (millions)	67.1	69.5	3.5%
	Total expenditures ($ billions)	2.6	2.7	2.6%
All programs	Total expenditures ($ billions)	95.4	103.3	8.3%

WIC=Special Supplemental Nutrition Program for Women, Infants, and Children.

Note: The figures are based on preliminary data provided by USDA's Food and Nutrition Service as of December 2011 and are subject to change. Total program expenditures includes figures from other programs not shown in the table.

- Monthly food costs per person after rebates averaged $46.70, or 13 percent more than the previous fiscal year.
- The decrease in the number of participants was more than offset by the increase in per person food costs, as spending for WIC totaled $7.2 billion or 8 percent more than in fiscal 2010.

Average monthly participation in WIC, FY 1974-2011

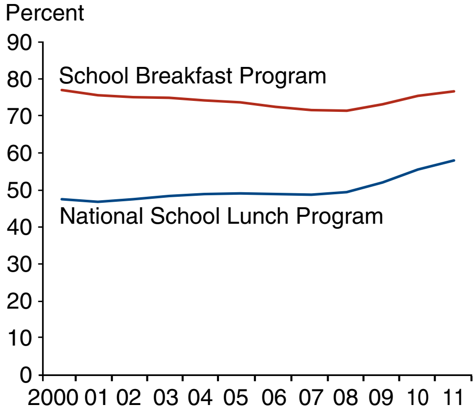


Share of National School Lunch Program Meals Served Free Continues To Increase

The National School Lunch Program provides nutritious lunches at low or no cost to schoolchildren. Schools that participate in the program receive cash and some commodities from USDA to offset the cost of providing food. 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 take part 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 with incomes 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 2011:

- An average of 31.8 million children participated in the program each school day, about the same as the previous fiscal year.
- The percentage of all school lunches provided free to students increased from 56 percent to 58 percent. Reduced-price meals accounted for 8 percent of all meals, down from 9 percent the previous fiscal year.
- Spending for the program totaled $11.3 billion, or almost 4 percent more than in the previous fiscal year.

Share of school meals served free, FY 2000-2011



School Breakfast Program Continues To Expand

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 2011:

- An average of 12.1 million children participated in the program each school day, 4 percent more than the previous fiscal year.
- Seventy-six percent of all breakfasts served to students were provided free, up from 75 percent in fiscal 2010. Another 8 percent of breakfasts were provided at a reduced price, down from 9 percent the previous year.
- Spending for the program totaled $3.0 billion, or 6 percent more than in the previous year.

Child and Adult Care Food Program Expands Slightly

The Child and Adult Care Food Program subsidizes healthy meals and snacks in participating childcare centers and homes and adult daycare facilities. Care providers are reimbursed for each type of qualifying meal (breakfast, lunch/supper, or snack) that they serve. During fiscal 2011:

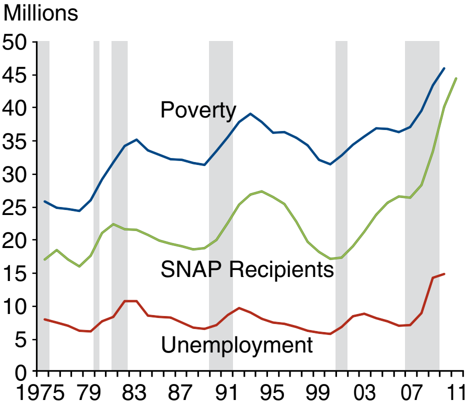
- A total of 1.9 billion meals was served, or 1 percent more than in the previous year. The number of meals served increased by 4 percent in adult daycare centers and by 2 percent in childcare centers. The number of meals served in family daycare homes decreased by 2 percent.
- Program expenditures totaled $2.7 billion, or 3 percent more than in the previous year.

Economic and Social Indicators

Economic and social conditions affect participation in and spending on food assistance programs by influencing (1) the size of the eligible population, (2) the rate of participation among eligible people, and (3) benefit levels. Historically, changes in U.S. economic conditions have significantly affected participation in SNAP. For example, the number of SNAP recipients typically rises during recessionary periods (when the number of unemployed and poor people increases) and falls during periods of economic growth (when those numbers decrease).

According to Census Bureau figures released in September 2011, the Nation's official poverty rate grew to 15.1 percent in 2010, the highest since 1993. In 2010, real median

Number of SNAP recipients, unemployed, and people in poverty, 1975-2011



Vertical shading = recession periods.

Selected economic and social indicators, 2009-11

Indicator	2009	2010	2011
Population in July (millions)	306.8	309.3	311.7(P)
Persons in poverty (millions)	43.6	46.2	NA
Poverty rate (percent)	14.3	15.1	NA
Median household income (2010 dollars)	50,599	49,445	NA
Civilian unemployment rate (percent)	9.3	9.6	8.9
Real GDP (percent change)	-3 5	3.0	1.7
Food-insecure households (thousands)	17,354	17,229	NA
Very-low-food-security households (thousands)	6,735	6,357	NA
CPI for all items (percent change)	-0.4	1.6	3.2
CPI for food (percent change)	1.8	0.8	3.7
CPI for food at home	0.5	0.3	4.8
CPI for food away from home	3.5	1.3	2.3
TANF recipients in June (thousands)	4,113	4,346	4,430
School enrollment (thousands)	54,770(P)	54,703(P)	54,745(P)

GDP=Gross domestic product.
CPI=Consumer Price Index.
TANF=Temporary Assistance for Needy Families.
NA = Data not available.
(P) = Projected.

household income in the United States fell 2.3 percent from the previous year, decreasing for the third consecutive year. The annual unemployment rate was 8.9 percent in 2011, down from 9.6 percent in 2010. This marked the first decrease since 2006.

Research Update: Recent WIC-Related Reports from ERS

ERS is the premier source of economic research on food and nutrition assistance programs in the United States. This research is conducted internally by ERS staff, as well as through a portfolio of ERS-funded extramural research projects and partnerships. ERS has compiled an electronic database of over 800 peer-reviewed reports, available at: http://www.ers.usda.gov/Briefing/FoodNutritionAssistance/ResearchFindings/.

Several ERS reports released in fiscal 2011 focused on the WIC program, including:

The Infant Formula Market: Consequences of a Change in the WIC Contract Brand, ERR-124, August 2011. WIC is the major purchaser of infant formula in the United States. To reduce the cost to the program, each State awards a sole-source contract to a formula manufacturer to provide its product to WIC participants in the State. As part of the contract, the WIC State agency receives rebates from the manufacturers. In this study, 2004-09 Nielsen scanner-based retail sales data from over 7,000 stores in 30 States were analyzed to determine how awarding a WIC sole-source contract affected the market share of all infant formula manufacturers in supermarkets. The study found that the manufacturer holding the WIC contract brand accounted for the vast majority—84 percent—of all formula sold by the top three manufacturers. When there was a switch in the manufacturer holding the WIC contract, the effect was considerable: the market share of the manufacturer of the new WIC contract brand increased by an average of 74 percentage points. Most of this increase was a direct effect of WIC recipients switching to the new WIC contract brand. In addition, manufacturers realized a spillover effect from winning the WIC contract, with their sales of formula purchased outside of the program also increasing.

The WIC Fruit and Vegetable Cash Voucher: Does Regional Price Variation Affect Buying Power?, EIB-75, May 2011. Since October 2009, WIC packages have included a fixed-value voucher for purchasing fruits and vegetables. Although this should help increase fruit and vegetable consumption

for all WIC participants, regional price variation could lead to different buying power—and nutritional benefits—across the country. Using 2004-06 Nielsen Homescan data, this study examined the prices of fruits and vegetables (fresh, frozen, and canned) in 26 metropolitan market areas to determine how price variations affect the voucher's purchasing power.

The study found that the 20 most commonly purchased fruits and vegetables were 30-70 percent more expensive in their highest priced market than in their lowest. However, the overall price range was wider: 26 percent for pears—the smallest price spread across markets—to 140 percent for grapefruit—the largest spread across markets. The relative prices of the various fruits and vegetables held constant across U.S. markets. The most expensive vegetables were peppers and tomatoes, and the most expensive fruits were strawberries and grapes. The lowest cost vegetables were cabbage and corn, while bananas and oranges were the lowest cost fruits. A WIC participant with a $10 voucher could purchase 17 percent more tomatoes per month or 13 percent more apples per month in the lowest priced market—the Nashville, Birmingham, Memphis, and Louisville area—compared with the national average, while in the most expensive market—San Francisco—the participant would be able to buy 15 percent fewer tomatoes and 11 percent fewer apples compared with the national average.

WIC Participation Patterns: An Investigation of Delayed Entry & Early Exit, ERR-109, December 2010. Despite the health benefits of WIC participation, many eligible women do not participate during pregnancy, and many households exit WIC when a participating child turns 1 year old. Findings from this study show that households that are more economically advantaged are more likely to delay entry into the program or to exit after a child turns 1 year old. Although WIC is not an entitlement program, few households reported that they were denied benefits due to lack of program funds. However, some of the mothers exiting the program reported that WIC requires too much effort and that its benefits are not worth the time (26.2 percent of those exiting) or that they have scheduling and transportation problems (almost 10 percent of those exiting), suggesting that the costs of participation may be a barrier to continued WIC participation. The study also found that prenatal Medicaid coverage was strongly correlated with earlier receipt of WIC, suggesting that each program may serve as a gateway for the other, especially since Medicaid recipients are adjunctively eligible for WIC.

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.