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The WIC Program: Background, Trends, and Economic Issues 2009 Edition

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The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) was created to safeguard the health of low-income women, infants, and children ages 1-4 who are at nutritional risk. WIC provides supplemental food, nutrition education, and referrals to health care and other social services. Almost half of all infants and about a quarter of all children ages 1-4 in the United States participate in the program. WIC is the U.S. Department of Agriculture's third-largest food and nutrition assistance program, with Federal expenditures of \$6.2 billion in fiscal year (FY) 2008.

What Is the Issue?

The Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108-265), which authorized funds for the WIC program, expires on September 30, 2009. Reauthorization provides an opportunity for policymakers to examine issues associated with the operation and effectiveness of the program. The goal of this report is to provide a better understanding of how WIC works, provide its history and program trends, and inform public debate on major economic issues facing the program.

What Did the Study Find?

Numerous issues are associated with administering a program of WIC's size and complexity. This report identifies and frames some of these issues, focusing mainly on those with important economic implications.

Expansion of the WIC Program. As a discretionary grant program, the number of participants served by WIC depends on the annual appropriation and the cost of operating the program. Participation has grown dramatically over time, due largely to increased congressional appropriations and to savings generated by cost-containment practices. Although funding has been sufficient to serve all eligible people *seeking to enroll* in the program in recent years, many eligible people still do not participate in WIC. Some groups contend that WIC should continue to increase participation among those eligible, but others claim that WIC eligibility requirements are too lenient and that WIC has expanded too much. They also question whether WIC would be more effective providing more intensive services to fewer participants.

Federal Funding and State Incentives. Unlike the other major USDA food assistance programs, such as the Supplemental Nutrition Assistance Program (formerly the Food Stamp Program), WIC is 100 percent federally funded—that is, State matching funds are not required. With little or no State funds at stake, State officials have few incentives to restrict WIC enrollment and may have little interest in WIC operations—factors cited in the increasing number of participants and the proliferation of WIC-only stores (stores that sell only or predominantly WIC foods and serve only or predominantly WIC participants) in the early 2000s.

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Funding for Nutrition Services and Administration (NSA). WIC State agencies receive NSA grants to cover the costs of administering the program and the costs associated with providing key services, such as nutrition education and breastfeeding promotion and support. NSA funds are based on a set amount per participant, adjusted annually for inflation, and currently account for 28 percent of total program costs. NSA funding levels have been a source of considerable conflict. The debate centers on whether NSA funds are too high and should be capped to allow for a greater proportion of appropriated funds to be used for food benefits or whether the funds merely reflect the success of the WIC program in keeping food costs low while serving more participants from infant formula rebates.

Food Package Revisions. In December 2007, USDA revised the WIC food packages to encourage positive changes in participants' behaviors and outcomes while minimizing vendor burden and maintaining cost neutrality. These revisions—which must be implemented by October 1, 2009—represent the most significant changes to the WIC program since its inception. The potential impacts of the revised food packages on participants, vendors, and food manufacturers, as well as on non-WIC consumers, are unknown.

Rising Food Prices. Prices for food at home rose 6 percent in 2008—the largest single-year increase since 1990. Because food accounts for almost three-quarters of total WIC costs, changes in food prices have important implications for program funding and the number of participants the program can serve.

Increasing Infant Formula Costs. Federal law requires that WIC State agencies enter into cost-containment contracts to purchase infant formula. Typically, WIC State agencies obtain substantial discounts through negotiated rebates from infant formula manufacturers for each can of formula. In exchange, the manufacturer is given the exclusive right to provide its product to WIC participants in that State. Rebates, totaling about \$1.8 billion in FY 2007, support about a quarter of all WIC participants. Recent ERS research indicates, however, that the per can cost of formula to WIC has increased. Because of the large volume of infant formula purchased through WIC—the program purchases over half of all infant formula sold in the United States—even small increases in the per can cost could have far-reaching negative implications for the program.

WIC's Effect on the Health of Participants. Much of the research on WIC's impact on the health of participants has focused on its effect on birth outcomes (e.g., birthweight, preterm delivery, and infant mortality). Less research is available on other health outcomes, such as the growth and development of children, or on other participant groups. Changes in how the program operates and in participant characteristics also contribute to the need for new research. Methodological issues and the complexity of health outcomes complicate researchers' ability to assess the program's impact.

The Effectiveness of WIC's Nutrition Education Program. Evaluating the effectiveness of WIC's nutrition education is complicated by variation among and within States in its content, how it is implemented, and the characteristics of the participants. Efforts to improve nutrition education are constrained by limited staff time with clients and limited financial resources.

WIC and Childhood Obesity. Increasing childhood obesity has raised questions as to whether food and nutrition assistance programs, such as WIC, contribute to the problem by providing too much food and encouraging overeating. The prevalence of overweight, however, is growing among both WIC and non-WIC children, and there is little evidence that participation in WIC is associated with increased prevalence of overweight. WIC food packages have recently been revised, partly to reduce the amount of saturated fat, cholesterol, and total fat provided in the supplemental food package and improve eating patterns that promote healthy weight.

WIC and Breastfeeding Rates. Low breastfeeding rates among WIC participants have raised questions about WIC's effects on breastfeeding. The 2007 WIC food package revisions provide stronger incentives for breastfeeding by increasing the market value of the food packages for infant/mother pairs who are fully breastfeeding. How effective these increases will be in getting more women to breastfeed and what effects higher breastfeeding rates may have on program costs, given infant formula rebates, remains to be seen.

How Was the Study Conducted?

Researchers from USDA's Economic Research Service (ERS) examined WIC's laws and regulations, program trends in terms of program expenditures, number of participants, and infant formula rebates, and a large number of WIC-related research publications.