

Evolution of the Food Stamp Program

DAVID R. LONG

HOWARD C. WILLIAMS

**OHIO AGRICULTURAL RESEARCH AND DEVELOPMENT CENTER
WOOSTER, OHIO**

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FOREWORD

The purpose of this publication is two-fold. It is an attempt to place in proper chronological order the events which led to the creation of the Food Stamp Program (not once but twice), as well as its continued changes since 1964. It also relates the changing public objectives relating to the purpose of the Food Stamp Program.

This history of the Food Stamp Program is needed to place the current operation of the program in its proper perspective before evaluating program effects. Others directly connected with food stamp operations at the local and state levels may gain insight into objectives of the entire program rather than just their respective parts. The average taxpaying citizen may also benefit from this publication and be able to better interpret program actions and results in the future.

This publication required pulling together many small pieces of information from many varied sources. For a complete listing of all references, consult Long, David R. 1970. Socio-Economic Characteristics of Some Potential Low Income Participants in the Food Stamp Program in Ohio. M.S. thesis, The Ohio State University.

Evolution of the Food Stamp Program

DAVID R. LONG and HOWARD C. WILLIAMS

INTRODUCTION

The Food Stamp Program is designed to subsidize food consumption of low-income people to accomplish several purposes. These purposes include: 1) improving the quantity and quality of the diets of poor people who for lack of sufficient incomes are unable to provide nutritionally adequate diets for themselves or their children; 2) improving the total demand for agricultural products, thereby strengthening and increasing prices received by farmers for their products; and 3) to attain these goals through the most efficient means possible (the existing retail marketing structure).

Evolution of an Idea

At the end of the 1930's, it was estimated that as many as 30 million people had inadequate purchasing power to provide themselves with sufficient quantity or variety in their diets. At the same time, large surpluses of agricultural commodities, which existed because of excess capacity in agriculture, didn't move to the consumer. This was especially true of about 12 to 15 commodities which experienced relatively inelastic demand and which suffered most when purchasing power dwindled. Commodities in this group included dairy and poultry products, meats, and fresh fruits and vegetables.

Authority to Act

Authority to combat this situation was created under Section 32 of the amended Agriculture Act of August 24, 1935. Section 32 made possible the use of up to 30 percent of customs receipts during each calendar year and unused balances up to \$300 million for encouraging the exportation and domestic consumption of agricultural commodities. Means available to accomplish increased exportation and domestic consumption included:

1. Purchases for distribution through state distributing agencies to school lunch programs, needy persons, and eligible institutions.
2. Expansion of outlets for agricultural commodities by helping needy families improve their diets through pilot food stamp projects.
3. Encouragement of exports through payments which permit the sale of surplus commodities in foreign markets.
4. Encouragement of domestic consumption by diversion from normal channels of trade to by-products and new uses.

Using the authority of Section 32, a committee was appointed by Jesse Tapp, head of the Commodity Credit Corporation, to develop a program to use these food surpluses to help poor families. Two ideas were proposed by this committee. The first proposal was that a system of government warehouses to store the surpluses should be built and distribution of surplus foods to the poor could occur from these warehouses. The second proposal was for the establishment of a food stamp plan which would utilize the existing market system to distribute food to the poor families by giving these people free stamps to exchange for surplus commodities at the market.

No decision was made to accept either proposal until Milo Perkins succeeded Jesse Tapp as head of the Commodity Credit Corporation. Perkins favored the food stamp proposal presented by committee member D. J. Christy and drafted the necessary legislation. The result was a Food Stamp Plan which was first implemented in Rochester, N. Y., on May 19, 1939.

THE 1939 FOOD STAMP PLAN

Purposes and Expectations

The purpose of the 1939 Food Stamp Plan was at least two-fold. The first purpose was to bolster a sagging demand for specific agricultural products. A second consideration was to make these specific agricultural products available to poor families who were unable to provide themselves with sufficient foods to be properly nourished. An underlying intent of the plan was to accomplish the two purposes of the program in the most efficient manner; i.e., by using the existing retail marketing system.

The expectations of such a program were that: 1) there would be a significant net addition to demand for those agricultural commodities which were in excess supply, and this would raise prices to farmers for these products; 2) the higher farm product prices would raise farm incomes and contribute to more favorable price and income expectations; 3) poor people would have significant additions of quantity and quality to their diets; 4) food retail stores would do more business; and 5) as a result of these effects, economic activity would increase in most areas of the United States.

Provisions of 1939 Food Stamp Plan

Specific regulations stated that if a person was on public assistance, he could voluntarily buy food stamps at the minimum rate of \$1 per person per week for each member of his household. For each \$1, he received orange stamps which could be used to buy any food items valued

at \$1. Each \$1 of orange coupons bought entitled the person to 50¢ worth of blue coupons at no additional charge. These blue stamps had to be used on specified surplus commodities. The orange and the blue stamps, each valued at 25¢, were obtained from welfare agencies by participants. The store owners redeemed them by pasting them on cards and exchanging these cards for money at banks through wholesalers or at the Surplus Marketing Administration.

Results of 1939 Food Stamp Plan

Preliminary results indicated increases from 30 percent to more than 300 percent in sales of certain surplus commodities in markets where the plan was in effect. At its peak in 1941, the Food Stamp Plan helped more than 4 million people. However, the program was not long lived for at least two significant reasons. First, due to a lack of safeguards in program administration, many people sold their coupons to other individuals to get money to use for non-food items and for foods not considered in surplus. This posed a serious administrative problem. Compounding this problem was the handling of two types of coupons, which was extremely difficult and cumbersome and made further violations possible. Most significant in ending the Food Stamp Program was the outbreak of World War II. The war created jobs, raised wages, and did more to stimulate domestic and foreign agricultural demand than any food stamp program could ever hope to do. Since the program's primary emphasis was to dispose of surpluses (improve demand for certain agricultural commodities), the Food Stamp Plan was quietly shelved in 1943.

Major emphasis was placed on surplus disposal in the 1939 program. Despite this, however, many citizens felt that feeding the poor was as worthwhile as getting rid of surpluses. A statement from then Secretary of Agriculture Wallace in March 1939 verifies this:

"If this plan is fully successful, it means that the day is not far distant when all of the people of the United States will be adequately nourished. Gentlemen, it may well be that you are pioneers in one of the most significant public health movements of our time."

FURTHER DEVELOPMENTS

As the 1950's drew to a close, the forces at work in the economy again were exerting pressures not unlike those of the 1930's which culminated in the first Food Stamp Plan. The forces themselves were somewhat different. Agriculture had geared itself to war-time production levels during the 1940's and had experienced relatively high prices and general equilibrium between supply and demand of agricultural

products. Supplies of goods increased rapidly from an agricultural industry geared to meet the growth rate of demand created in the war effort through the adoption of new technology. With the end of World War II, part of the war demand for agricultural products disappeared. With relatively full employment continuing after the war, domestic consumers changed their total consumption very little. Consequently, the growth in demand was about equal to the growth in population and foreign aid programs.

A much smaller proportion of the population was experiencing difficulty in trying to maintain adequate incomes to provide the necessities of life. Authorities were made aware of these groups of poor people not by the magnitude of numbers as in the 1930's but by the growing disparity between these poor and the rest of society.

As a result of this awareness, several attempts were made in the House of Representatives and the Senate to pass bills for re-establishment of a food stamp plan. However, the administrative difficulties of the early 1940's were well established in the minds of many legislators and in the voting districts they represented. A large part of the public remembered how easily the real purpose of the program was avoided by participants and the difficulties in modifying administrative procedures to eliminate abuses.

The proposed bills drew most of their legislative support from the ranks of agriculture. This created additional problems since its supporters presented it as a multi-purpose program of strengthening agricultural demand, providing adequate diets to poor people, and as a means of stimulating general business activity through increased retail sales. Many legislators viewed it as an effort to get further price supports for agriculture since during the post-war period the nation had experienced relatively full employment, rising incomes, and excess productive capacity in agriculture evidenced in growing stocks and the withdrawal of land from cultivation.

Authority for Initiation of Pilot Project

After much debate, a bill (H.R. 8609) passed both houses of Congress in 1959 and became law. This act gave the Secretary of Agriculture the authority to conduct a pilot food stamp program using Section 32 funds to finance its operation and determine its efficacy in coming to grips with the problem. Secretary of Agriculture Ezra Taft Benson decided against starting such a program. A pilot food stamp project wasn't initiated until President John F. Kennedy issued an Executive Order in January 1961 directing that Secretary of Agriculture Orville L. Freeman establish a pilot food stamp plan in several economically depressed areas.

Pilot Project

The initial pilot project was established in eight areas across the United States which were experiencing high levels of unemployment.¹ Initial studies by the USDA indicated extremely favorable results with respect to increases in retail sales, increases in numbers of people with adequate diets, and increases in the demand for several agricultural products, especially livestock products. Administrative studies of these pilot projects also indicated a minimum amount of abuse and violation of the regulations by either participants or retailers.

The pilot project expanded from eight areas and a \$2.4 million volume of food stamp business in 1961 to 43 areas issuing \$50 million worth of food stamps in 1964. Of this amount, 37 percent or \$19 million represented bonus stamps. As of January 1964, 279,000 people used food stamp coupons, with the average person spending \$13.85 a month and getting \$22.11 in coupon value.

The program continued to operate on an expanded pilot basis in 43 areas of 22 states, using Section 32 funds to pay the costs until June 1964.

FOOD STAMP LAW

The favorable experience with the pilot project generated enough support that another Food Stamp Bill (H.R. 10222) was passed in the House and its corresponding Senate version was passed soon after. This bill was signed into law by President Lyndon B. Johnson in August 1964.

The Food Stamp Act (PL 88-525), unlike the act of 1959 which provided discretionary authority for the Secretary of Agriculture to establish a pilot program, established operation of the program for a 3-year period. The authorized funding level was \$100 million for each year, with the program no longer using Section 32 funds but depending on appropriations by Congress as a regular budget item.

Change in Purpose

The 1964 law provided for an important change in operation and a resulting change of purpose from the 1939 Food Stamp Plan. The change in operation was the removal of the restriction which allowed the use of food stamps on only a few selected food items. The effect of this program change was to make the program more palatable to potential participants by giving poor people access to most of the foods which the average U. S. consumer purchased. This removed the stigma of

¹These eight areas were: Detroit, Mich.; Franklin County, Ill.; Floyd County, Ky.; Virginia-Hibbing-Nashwauk area in Minnesota; San Miguel County, N. M.; Silver Bow County, Mont.; Fayette County, Pa.; and McDowell County, W. Va.

allowing poor people access to only *surplus foods* and made the program administratively more manageable by eliminating some of the incentive to violate program regulations.

Besides these more apparent results, there was an indication that some change in the priority of objectives had occurred. The 1939 program had allowed only selected surplus items to be purchased with bonus stamps. This placed major emphasis on the objective of surplus disposal and minor emphasis on the objective of better nourishing diets for the poor. With the program change, a recognition of the needs of poor people gained more emphasis than it had previously enjoyed. However, the purpose of adding to net consumer demand of agricultural commodities was not overlooked. The program regulations stipulated that purchase requirements would be consistent with what the family had spent for food before entering the program. This was an effort to effectively cut off substitution of food money for non-food purposes.

Mechanics of Current Food Stamp Program

The mechanics of the current Food Stamp Program differ from those of the original pre-World War II program. In the present program, the USDA works closely with state and local welfare authorities in administering the program. Through 1970, the state welfare agencies had established eligibility requirements for various family sizes based on welfare rates imposed by each state.

Since the welfare program requirements vary from state to state, there is a certain amount of inconsistency within the system. A family might qualify for a welfare program and/or Food Stamp Program in one state but not qualify in a neighboring state.

With the exception of mixed households, all households already receiving some form of public assistance in a particular state are automatically eligible for food stamps and are certified to participate in the program if they have cooking facilities. In addition to public assistance households, many non-public assistance households are within the eligibility requirements established by their adjusted income and other factors. Other criteria for determining eligibility include doctor and dental bills which persist over long periods of time, and unusually high rent for housing. They also must have cooking facilities.

If a family is eligible, then it is certified to participate. The household may be recertified only once a year if it is a long-time public assistance household or it may be required to be recertified each month if it is a non-public assistance household and its income undergoes considerable fluctuations within the period of a year. A non-public assistance household does not become eligible unless it takes the initiative by contacting the proper agency with the necessary information.

The purchase requirement for a household depends upon its adjusted income and its family size and may change as its adjusted income and family size changes. Wide fluctuations in a household's adjusted income can cause it to be eligible one month, ineligible the next, and eligible the third. This can make certification a cumbersome process.

The Food Stamp Act of 1964 placed the minimum purchase requirement for participation in the program at \$2 per person per month for the poorest of the poor people. With the exception of the very poor, the purchase requirements were set so that a particular family size with a particular income would continue to spend for food what the average family of those characteristics would normally spend before participation. In this way the bonus stamps were designed to be used for net additions to quantity and quality of diets. Participating households receive a card monthly, bimonthly, or weekly from the local welfare agency indicating the purchase requirement and the bonus dollars (in terms of stamps) to which they are entitled. The participant takes this card to a bank or welfare agency which sells the stamps and purchases his specific amount of food stamps for his particular cash outlay.

These food stamps are only accepted by participating retail stores which have also been approved by the state agency in charge of certifying retail stores. The coupons are all one kind but are of several denominations, the smallest being a 50¢ coupon. The coupons are also in booklets of various cash values. Each booklet must be signed upon purchase at the bank. The retail store cannot accept the coupons if they are detached from the booklet. Since the store reserves the right to require identification at the check-out counter, violations and abuses common under the earlier program are believed to be minimized. The coupons may be used to buy any foods except foods which specify on their label that they are imported. Exceptions in the import category which may be purchased are coffee, tea, bananas, and cocoa.

After the store owner receives the food stamps as payment for purchases by the participant, he returns the coupons to the bank where he is paid the face value of the coupons. The bank completes the final transaction by being paid from the Federal government's account for the redeemed coupons.

The administrative safeguards in this program are more numerous and more effective than in the first Food Stamp Program.

CONTINUED GROWTH

The Food Stamp Program expanded from 43 pilot areas in 1964 to 477 areas in 1966 and 848 areas in December 1967. The number of persons participating increased from 1.3 million in 1966 to 2.1 million in December 1967. In a further attempt to reach more poor people, the purchase requirement was reduced in mid-1967 to 50¢ per person per month for the lowest income people, with a maximum of \$3 for a family of six or more. To further encourage poor people to participate, the first month's purchase requirement was reduced to one-half of normal. Program aides were hired from the ranks of the poor to help facilitate communication of the program to other poor people.

By the end of 1967, the bonus coupons amounted to nearly \$14 million per month. In fiscal 1968, the rate of participation in existing areas jumped by 22 percent, which was much larger than the expected 15 percent increase. This large increase was due to modifications in the program which reduced initial purchase requirements by one-half and reduced the regular requirement for the poorest people to 50¢ per person per month. This required a slowdown in the rate at which new areas could enter the program since a deficit in funds would have occurred. Despite this funding problem, the Food Stamp Program had 2.6 million participants in 1968.

Administration Proposals for Changes

From 1961 to 1968, the general procedure was to fix the purchase requirement as close as one could to actual food purchases which a family could make without help and then add additional buying power to this with bonus stamps. In 1969, efforts were made to shift the emphasis of the program with several proposed amendments to the original act of 1964.

These proposed amendments stated that the total food stamp allotment should be equivalent to the cost of a nutritionally complete diet. The purchase requirement should be adjusted so that a family pays no more than 30 percent of its income for food instead of 50 to 60 percent as in many cases previously. Food stamps should be provided at no cost to those households with little or no cash income. A multi-year program should be approved with a rising level of funding which would insure a program for every area and an ultimate goal of a Food Stamp Program replacing the Commodity Distribution Program in all areas. The eligibility provisions would be revised to require the Secretary of Agriculture to establish uniform national standards instead of eligibility being linked to individual state welfare levels. In addition, the funding

level for the Food Stamp Program was to be fixed at \$640 million for 1969 and for whatever amounts Congress would authorize through 1973.

The proposed amendments did not receive sufficient support by Congress. But the result of administrative attempts to reorganize the program with stronger welfare considerations resulted in the Secretary of Agriculture, under authority of the Food Stamp Act, reducing purchase requirements to participating families and increasing the bonus stamps to more nearly approximate an expenditure for food by these families consistent with the proportion of income spent for food by the average U. S. family. In December 1969, the Food Stamp Program was serving 3.6 million persons.

Continuing Changes in Purpose

The actual changes within the Food Stamp Program, although not as comprehensive as the proposed amendments, initiated a major change in the purpose of the Food Stamp Program. The major emphasis was now on the quantity and quality aspects of diets in the program rather than direct benefits to producers and retailers which previously had been considered a dual role of the program.

The reduction of purchase requirements and increase in bonus stamps eased the previous regulations which guarded against substitution of food money for non-food uses by participants. The bonus stamps no longer approximate a net addition to expenditures for foods. The fact remains that the net addition to agricultural demand is probably greater than it was before the program change, even though opportunities for substitution of non-foods for foods were increased. The much liberalized benefits have increased the volume of participation and the incomes of these participants to such an extent that the substitution effect is more than offset by an income effect resulting in increased food consumption as well as increased non-food purchases (Appendix Table I).

Since 1939 the Food Stamp Program has evolved from being predominantly agriculture oriented to being predominantly consumer oriented. The primary concern is no longer improvement in demand for agricultural products and increased farm prices, but is now a supplement to welfare programs in an effort to better nourish poor people at costs they can afford.

Changes in 1970

In 1970, other changes in the program were implemented. The first raised the maximum monthly net income restrictions for various family sizes. This makes it possible for more families to become eligible to participate in the program and broadens the base of its effectiveness

as a poverty program (Appendix Table II). Uniform eligibility standards for participants of all states were passed, but not implemented at that time.

The second change was an item which, although small, made it easier for participants and food retailers to put the program to use. Until 1970, store owners were required to give a due bill to participants for change due them on a 50¢ coupon up to 49¢. This took time and created a bookkeeping problem for the retailer. Now the retailer can give the change up to 49¢ in cash to the participant.

Another change involved being able to pay deposits on returnable bottles with food stamps. Previously these items had to be kept separate and paid for with cash by participants. This change speeds up check-out time for the retailer.

A NEW LAW AND THE FUTURE

The Food Stamp Program's evolution to a bonafide welfare program has created the need to evaluate its efficiency in terms of other welfare approaches to poverty. It might be expected that if this type of program continues as a vehicle to combat poverty, it will be modified to be consistent with other approaches. It will also be subject to the prevailing societal whims which serve as constraints on such programs. For example, in mid-1970 a Food Stamp Bill (HR 12222) was amended to include a work provision which stated that able-bodied adults be required to register for and if available accept employment as a necessary condition to obtain food stamps. The modified bill became Public Law 91-671 late in 1970. (The changes in program regulations reflecting the intent of PL 91-671 were expected to be forthcoming in 1971.) Legislation was also proposed with respect to strikers participating in the program (S 781), since this had become a heated issue in 1970 both in Congress and by the taxpaying public.

The Food Stamp Program as it has evolved over more than three decades has increased total food consumption and the quality of diets. The net addition to food expenditures as represented by bonus stamps has increased from \$19 million in 1964 to nearly \$1 billion for the 12-month period ending November 1970. This represents a 50-fold increase in bonus coupons compared to a 35-fold increase in participants from 280,000 to 9.3 million. Bonus stamps per participating household member have increased considerably over the life of the program. It might be expected that in the near future the number of persons participating will increase and thereafter diminish, while the amount of stamps per person issued will likely continue to increase.

APPENDIX

TABLE I.—Trends in Participation and Bonus Growth for Food Stamp Program in U. S.

Month		Participation Food Stamps	Bonus Stamps
		Persons	
1968	December	2,821,867	\$ 18,401,237
1969	January	2,869,435	18,577,612
	February	3,019,638	20,671,629
	March	3,179,070	21,637,288
	April	3,205,013	21,596,242
	May	3,192,781	21,082,171
	June	3,224,233	21,586,225
	July	3,317,469	22,399,334
	August	3,343,806	22,308,989
	September	3,417,660	23,133,480
	October	3,447,246	22,960,044
	November	3,490,645	23,331,192
	December*	3,645,202	24,604,685
1970	January	3,795,455	26,873,101
	February†	4,416,450	54,856,541
	March	5,074,560	70,794,057
	April	5,629,377	80,302,489
	May	6,070,248	86,493,273
	June	6,469,946	91,591,972
	July	6,947,599	98,098,155
	August	7,171,290	100,234,744
	September	8,200,000	117,000,000
	October	8,800,000	120,800,000
	November	9,300,000	124,600,000

*New legislation effective.

†New legislation implemented

Source: USDA 4016-70.

TABLE II.—Income and Asset Requirements and Revisions for Food Stamp Participation.*

Household Size	Maximum Monthly Net Income		Maximum Liquid Assets
	Before March 1970	After March 1970	
1	\$130	\$135	\$1,000
2	\$200	\$200	\$1,500
3	\$225	\$235	\$1,500
4	\$260	\$270	\$1,500
5	\$295	\$310	\$1,500
6	\$330	\$355	\$1,500
7	\$365	\$395	\$1,500
8	\$400	\$435	\$1,500
9	\$435	\$470	\$1,500
10†	\$470	\$535	\$1,500

*These data relate to Ohio's Food Stamp Program. Each state varies from these requirements because state welfare agencies determine entrance requirements.

†For households in excess of 10 members, the maximum monthly net income was \$470 plus \$35 for each additional member before March 1970 and after this it was \$535 plus \$50 for each additional member. Liquid assets remained the same.

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Wayne County: 1953 acres
 Eastern Ohio Resource Development Center, Caldwell, Noble County: 2053 acres
 Green Springs Crops Research Unit, Green Springs, Sandusky County: 26 acres

Jackson Branch, Jackson, Jackson County: 344 acres
 Mahoning County Farm, Canfield: 275 acres
 Muck Crops Branch, Willard, Huron County: 15 acres
 North Central Branch, Vickery, Erie County: 335 acres
 Northwestern Branch, Hoytville, Wood County: 247 acres
 Pomerene Forest Laboratory, Keene Township, Coshocton County: 227 acres
 Southeastern Branch, Carpenter, Meigs County: 330 acres
 Southern Branch, Ripley, Brown County: 275 acres
 Western Branch, South Charleston, Clark County: 428 acres