



The Fight Over Food Stamps and Farm Subsidies

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(This is the second in a two-part report analyzing the Senate House farm bills. Read the [first part here](#).)

Congress appears poised to begin overhauling long-standing agricultural price support programs, including the elimination of unconditional [subsidies to farmers](#), in an effort to help lower their overall costs and eliminate some of the inequities in the program.

The government currently hands out between \$15 billion and \$20 billion a year in aggie subsidies, depending on the prices of crops and the level of disaster payments. More than 90 percent of agricultural subsidies go to farmers of five crops – wheat, corn, soybeans, rice, and cotton. More than a million farmers and landowners – including millionaires and billionaires – receive subsidies, but the payments are heavily tilted toward the largest producers.

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These generous benefits have become almost impossible to justify as [farm income has risen](#) to historic levels and consumers face higher prices at the grocery store. Congress has until the end of September to act before the current five-year legislation expires.

On Wednesday, the Senate Agriculture Committee begins marking up new legislation that would replace current direct subsidies with various insurance programs that would aid farmers in the event of bad weather or natural disasters, including a new “shallow loss” program that would cover modest yields or declines in prices. Farmers would receive crop insurance subsidies for more catastrophic losses – a measure welcomed by the farm community but criticized by some watchdog groups that warn this could result in the government spending even more to cover crop losses.

“The bill does nothing to rein in the exploding costs of taxpayer subsidized crop insurance,” said Steve Ellis of Taxpayers for Common Sense. “In fact, instead of chipping away at our trillion dollar annual deficits with the savings from eliminating the commodity handouts, it plows them into a new agricultural entitlement covering ‘shallow loss’ that will end up costing taxpayers billions.”

The Senate proposal would cut farm assistance by about \$23 billion over the coming decade, \$4 billion from the food stamp program, called SNAP (Supplemental Nutritional Assistance Program). This is the flip side of the House approach, which leaves farm subsidies in tact while cutting SNAP and other nutritional programs for the poor by \$33 billion over the next decade.

The Obama administration has proposed reducing the now \$1.5 trillion annual deficit by \$32 billion over 10 years by eliminating direct farm payments, decreasing subsidies to crop insurance companies, and better targeting conservation funding. The president's budget calls for a modest increase in spending on food and nutrition services, including the food stamp program, which is at record high spending levels.

The spike in enrollment prompted Republican [presidential candidate Newt Gingrich](#) to dub Obama the "food stamp president" and has fueled calls for cuts to assistance programs that critics say are turning the United States into [awelfare state](#).

FOOD STAMP SPENDING ON THE RISE

How the Democratic Senate and House Republicans can reconcile their huge differences over [food stamp spending](#) remains to be seen. The Congressional Budget Office says that at the current spending pace, the food stamp program would cost about \$400 billion over the five-year life of new farm legislation enacted this year. Crop insurance subsidies would average about \$9 billion a year, commodity subsidies \$6.6 billion and farm conservation programs \$6.5 billion.

The federally funded food stamp program, aimed at helping the poor, elderly and disabled stretch their food budgets is administered by state or local agencies. Yet almost anyone who meets the poverty-level income eligibility requirements and is either a U.S. citizen or qualified alien can obtain a plastic electronic debit card to purchase food at grocery stores, convenience stores and some farmers' markets and coops.

As part of welfare reform, most able-bodied people between the ages of 18 and 60 must register for work to qualify for food stamps, and many may be required to participate in an employment or training program. [College students](#) who provide proof of their education expenses, income and loans or scholarships also can qualify for food stamps, according to the government, regardless of whether their parents are wealthy.

Paul Ryan, the House Budget committee chief, says that while SNAP serves an important role in providing food aid to low income people, Congress must correct what he describes as the same "deeply flawed structure" as Medicaid. Like Medicaid, the unsustainable growth in SNAP is because state governments receive federal dollars in proportion to how many people they enroll, and they have an incentive to grow the numbers. "State governments have little incentive to make sure that able-bodied adults on SNAP are working, looking for work or enrolled in job training programs," he said in his budget document.

According to Ryan, this lax approach makes the program highly susceptible to waste, fraud and abuse. In the past year, for example, Michigan has had two lottery winners continue to receive SNAP benefits, while in New York, former and current New York City

employees created false names, addresses and Social Security numbers to create approximately 1,500 false SNAP cards. In the process, they netted \$8 million.

CASH BACK FRAUDSTERS

A recent arrest in Quincy, Mass., is another case in point: Authorities arrested Pat Lu, the 48-year-old owner of Pat's Mini Mart, on larceny and fraud charges, according to media reports. Investigators allege that Lu or a clerk routinely swiped a customer's food stamp card, giving back half the sale amount in cash instead of in groceries, before profiting off the rest. The fraud allegedly involved a total of \$700,000 in transactions in less than two years.

According to experts, this is probably the most common type of scheme, in which food stamp recipients sell their benefits to food markets and other retailers or to individuals found on the Internet for roughly 50 cents on the dollar. With the help from store employees, customers can easily game the system, according to media reports. A clerk, for example, would ring up a case of beer as a box of cereal or charge \$50 on the food stamp debit card and keep \$25 of it.

"Sometimes it's the goods themselves that are contraband," said Michael Tanner, a scholar with the libertarian CATO Institute, who has analyzed the food stamp program. "Sometimes you get cash back."

In the last quarter of 2011, the Department of Agriculture sanctioned more than 225 stores found to be violating program rules and permanently disqualified 350 stores for trafficking in food stamp benefits.

Ironically, while Congressional Republicans have blasted the food stamp program as wasteful and riddled with fraud, the SNAP fraud rate has declined sharply in recent years and is now one percent of the \$75.3 billion annual program – or about \$750 million a year. One percent is not even a rounding error in federal budgeting, and the scope of fraud pales in comparison to fraudulent activity in government contracting. Recently, *The Fiscal Times* reported that the Justice Department is investigating whether billions of dollars worth of federal highway and transportation stimulus programs are rife with fraud and abuse.

Kevin Concannon, the agriculture department undersecretary for food, nutrition and consumer services, testified recently that his agency was doubling efforts to prevent fraud. He said the program's most important anti-fraud step came in 2004 when the agency replaced paper food stamp coupons with plastic cards that are loaded electronically like debit cards.

Robert Greenstein, president of the Center on Budget and Policy Priorities, hailed the food stamp program as one of the key automatic stabilizers within the social safety net that counteracted the spread of poverty during the worse of the recession. In defending the program against criticisms of runaway costs, Greenstein said the dramatic explosion in food stamp expenditures had as much to do with improvements in administration than the impact of the recession or expansion of eligibility.

The 1996 welfare reform law was intended to encourage work, he said, but because of problems in state administrative actions in the early going, many families moving from welfare to working-poor status were cut off from food stamps when they left welfare, despite their continued eligibility, Greenstein said during congressional testimony last week.

Congress enacted changes in 2002 and 2008 that helped to lessen barriers to SNAP participation among the working poor, as well as modest improvements in benefits that largely helped low-wage workers and their families. These changes led to a surge in applications for food stamps.

“My point here is that there are three main reasons for the large increase over the past decade in SNAP expenditures and cost – the economy, the temporary increase in SNAP benefits enacted as part of the Recovery Act, and a large increase relative to ten years ago in the percentage of individuals eligible for food stamps that actually receive them,” he said.