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Cut in food stamps to hit low-income Americans this week

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By Charles Abbott and Lisa Baertlein

WASHINGTON/LOS ANGELES, Oct 30 (Reuters) - One of every seven Americans will take a hit on Friday when a \$5 billion cut in food stamps, the first across-the-board reduction in the history of the decades-old federal program, takes effect.

But if conservative Republicans in Congress get their way, this week's pullback may be just a taste of what's to come for some of the almost 48 million Americans who receive benefits under the Supplemental Nutrition Assistance Program.

SNAP, the largest U.S. anti-hunger program, is designed to help poor people - most of them children, disabled or elderly - buy food. But enrollment has doubled and the program's cost has nearly tripled since 2004, and has remained at record levels even as the [economy](#) improves and unemployment declines.

Critics say the surge shows reform is vital as part of federal deficit reduction. Defenders say the high enrollment is a sign of the weak recovery from the 2008-09 recession and sluggish job growth.

The cuts on Friday reflect the expiration of benefits authorized by the 2009 economic stimulus package, just as other temporary elements of the package - including a two-year payroll tax "holiday" - have ended over time.

The Center for Budget and Policy Priorities, a think-tank that explores ways to reduce poverty, said benefits would drop by an average of 7 percent, or \$10 per person per month.

In fiscal 2012, the average benefit per person was about \$133 per month, according to the U.S. Department of Agriculture.

Anti-poverty groups have for months warned of the dangers that the cuts pose to many vulnerable aid recipients. It will mark the first time benefits have declined for every recipient, regardless of need.

"People are living at the margins," said Ellen Vollinger, legal director and SNAP advocate at the Food Research and Action Center, an anti-hunger organization. "It's not an abstract metric for people. It's actual dollars to keep food in the refrigerator."

A family of three would lose \$29 in benefits, enough to buy food for 16 meals at current "thrifty" rates, said Vollinger. That comes to \$1.81 per meal.

For U.S. grocery store chains, the reduction may have only a minimal impact, equal to less than 1 percent of the about \$715 billion a year spent by consumers on food and beverages for consumption at home. But the industry is highly competitive and operates on thin margins. Some chains are likely to feel a bigger impact than others.

With roughly one in seven Americans now enrolled in SNAP, the program currently accounts for a full 11 percent of total spending on "food at home," as the government phrases it.

RETAIL IMPACT MOSTLY MUTED

Poor families might economize by squeezing spending on other goods and using the savings to supplement their food stamps. Recent declines in gasoline prices should provide an offset for now, said Scott Mushkin, a senior retail analyst at Wolfe Research.

"They still need to eat," said Mushkin.

"Customers may shift to spending more of their own cash on food and less cash on other things," said Keith Dailey, a spokesman for Kroger Co, the largest U.S. supermarket operator.

But Dennis Eidson, president of Spartan Stores Inc, a regional chain based in Grand Rapids, Michigan, said the SNAP cut would be meaningful for sales. "We're a little concerned about the food stamp cut, I can tell you that," Eidson said.

Fruits and vegetables, grain products, meats, and dairy products comprise almost 90 percent of the food that SNAP households buy, according to the CBPP.

Wal-Mart Stores Inc, the discount giant that has the largest grocery sales in America, might fare better, U.S. Chief Executive Bill Simon said when analysts asked this month about the upcoming reduction.

"When the benefits expanded, our market share actually went down," said Simon, referring to 2009. "And so, our view is when price becomes more important ... we're more relevant."

The 2009 stimulus bill increased food stamps by an average of 18 percent, or around \$24 a person, and it gave an immediate jolt to the economy. Benefits are spent quickly, and according to Moody's Analytics, in a weak economy every dollar increase in SNAP benefits generates about \$1.70 in economic activity.

Most people who receive SNAP benefits live in households with very low income - about \$8,800 a year on average in 2010, according to the non-partisan Congressional Budget Office.

As of July, the most recent figures available, 47.6 million were receiving food stamps, up 1.7 percent on the year. Enrollment has been above 47 million for the past 12 months.

MORE CUTS EXPECTED IN NEW FARM BILL

More food stamp cuts - likely focused on reducing the number of beneficiaries - are expected to be included in the new U.S. farm bill, now in its final stage of preparation.

Conservative Republicans in the House of Representatives passed a bill in September that aimed to tighten SNAP eligibility standards and end benefits for nearly 5 percent of recipients, cutting some \$39 billion over 10 years.

On Wednesday, negotiators from the House and Senate will start to hammer out a compromise version of the bill. Food stamps typically account for about 75 percent of money in the farm bill.

House Majority Leader Eric Cantor was the most prominent sponsor of the Republican-backed food stamp bill, which would shorten the time able-bodied adults without dependents could collect aid, and end a provision that allowed people with larger household assets to get food stamps.

Cantor has termed the program as it now stands an unaffordable burden on middle-class families that can be pruned while still helping "those who truly need it."

Some 1.7 million able-bodied adults would lose benefits through a stricter enforcement of work requirements that Republicans propose, the CBO estimates. Many states currently have waivers in place because of high jobless rates. The budget office also estimates that 2.1 million people would lose benefits if limits on assets are tightened.

"By reforming food stamps, we will save the program for the truly needy," said Virginia Foxx, a Republican Congresswoman from North Carolina. "An overextended, unchecked SNAP program won't be capable of serving the citizens it's purposed to help."

The Democratic-run Senate has proposed \$4.5 billion in savings over a decade by closing a loophole. A small-farm group said cuts of \$8 billion to \$12 billion might in the end be palatable to both the House and the Senate.

President [Barack Obama](#) has warned against heavy cuts to food stamps. House Democrats have voted en bloc against large cuts. And 39 Democratic senators sent a letter to farm bill negotiators this week opposing "eligibility changes designed to erect new barriers to participation" in SNAP.

Michael Tanner, author of a Cato Institute report that calls for converting food stamps into a block grant program run by the states, said lawmakers should overhaul the program's rules.

"These are a much better way to reform the program than just playing with the number," Tanner said.