



Nutrition 118 – Community Nutrition Some Insights From An Agricultural Economics Perspective on the Food Stamp Program and other Issues



Agricultural
Issues Center

USDA (NRI-CSREE # 2006-55215-16720)

Stephen A. Vosti



Department of
Agricultural and
Resource
Economics

Vosti et al., UCD/AIC/ARE



Overview of Presentation/Discussion

- A Few Words on the Word ‘Policy’
- Rationale for Public Policy Attention
- The Broad Array of Alternative Policy Actions
- Deciding on Public Policy Action
- An Economist’s View of Food Stamps
- Possible Changes to the FSP to Address Obesity
- Questions from You

Vosti et al., UCD/AIC/ARE



What Do We Mean by “Policy”?

- Objectives (e.g.)
 - Meet Kyoto objectives versus an alternative set
 - Restore native vegetation versus increase biodiversity
 - Reduce calorie undernutrition versus improve diet quality versus reduce vitamin A deficiencies
- Instruments
 - Available to meet policy objectives
 - Changing relative prices/incentives versus changing disposable income
- Implementation/Action
 - Policy action using specific instruments
- Impact
 - Timing, size, side effects

Vosti et al., UCD/AIC/ARE



Policy Instruments

- Usual Suspects
 - Price policy, income policy, asset taxation, service provision, regulations, investments, management of public assets, etc.
- Truly Available Tools
 - Incomplete services
 - Limited regulations
 - Investments
 - roads, communication, schools, health posts, post-harvest processing
 - Human resources

Vosti et al., UCD/AIC/ARE



Rationale for Public Policy Attention

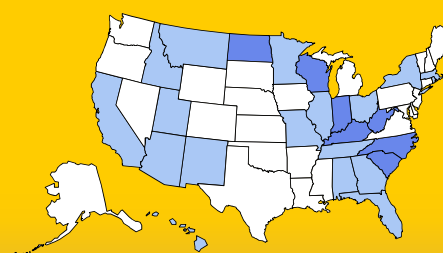
- Natural Monopolies
- Externalities
 - Environmental and other
- Public Goods
 - Street lights, etc.
- Asymmetric Information and Incomplete Markets
 - Complementary markets
 - Risk Aversion
 - Cost of capital
 - Project size
- Poverty Reduction
- Merit Goods

Belli, Pedro, J. R. Anderson, H. N. Barnum, J. A. Dixon and J.-P. Tan. 2001. *Economic Analysis of Investment Operations*. World Bank Institute, The World Bank, Washington, DC.

Vosti et al., UCD/AIC/ARE



Obesity Trends* Among U.S. Adults BRFSS, 1986

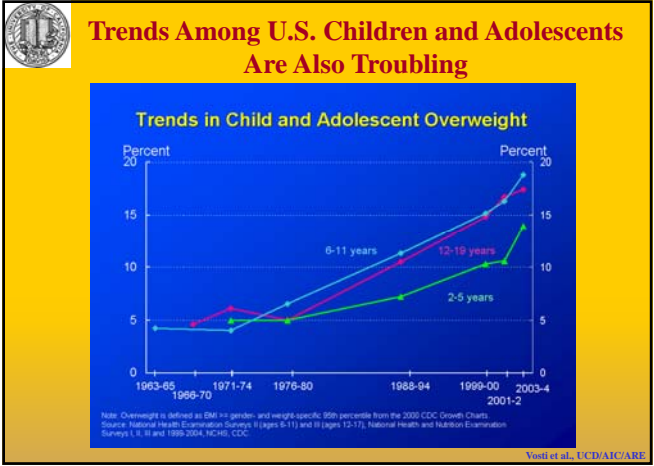
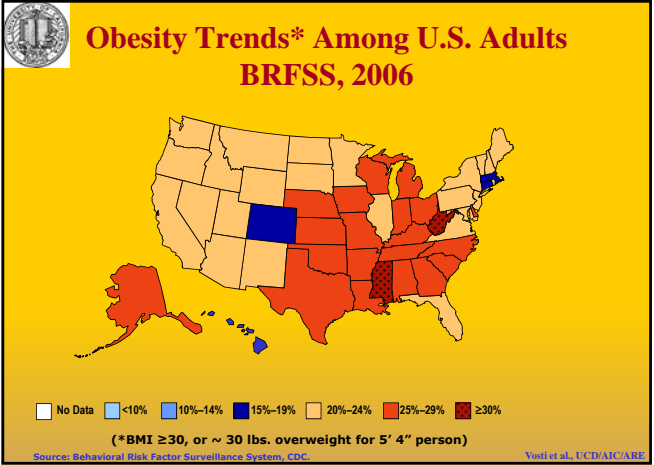
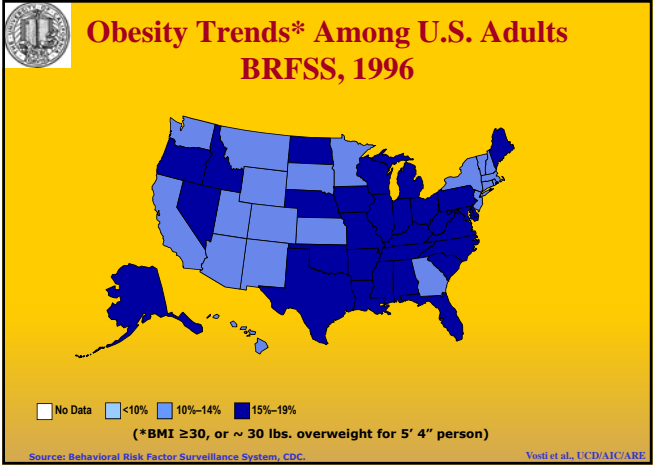


□ No Data □ <10% □ 10%–14%

(*BMI ≥30, or ~ 30 lbs. overweight for 5' 4" person)

Source: Behavioral Risk Factor Surveillance System, CDC.

Vosti et al., UCD/AIC/ARE



Medical Costs of Overweight and Obesity

Medical Costs, by Insurance Category	Overweight and Obesity	Obesity
<i>Billions of 1998 US \$</i>		
Out-of-pocket	12.8	6.9
Private	28.1	16.1
Medicaid	14.1	10.7
Medicare	23.5	13.8
Total	78.5	47.5

Source: Finkelstein et al. (2003 *Health Affairs*, 22, 219-226).

Morbidity and Mortality Effects Are Large and Increasing

Gregg and Garzañik (JAMA, 2007, Vol 298, No. 17)

Vostl et al., UCDAI/ARE

Have Some Agricultural Policies Contributed to the Problem?

- There Is an Increasing Imbalance between Caloric Intake and Caloric Expenditure
- Are Certain High-Calorie Foods Made Significantly Cheap by Particular Agricultural Policies?
 - If so, which foods, and which policies are responsible?
 - If these policies were changed, what would be the implications for food prices, and perhaps nutrition outcomes?

Vostl et al., UCDAI/ARE

Types and Magnitudes of U.S. Agricultural Policy Outlays

USDA Program	Outlays in 2006
	<i>billions of 2006 U.S. dollars</i>
Food, Nutrition, and Consumer Services	52.5
Farm and Foreign Agricultural Services (<i>mainly farm commodity programs</i>)	26.1
Natural Resources and Environment	8.3
Marketing and Regulatory Programs	2.7
Research, Education and Economics (<i>mainly ag. R&D</i>)	2.6
Rural Development	2.5
Food Safety	0.8
Other	0.6
TOTAL	96.1

Source: USDA FY 2008 Budget. Vostl et al., UCDAI/ARE



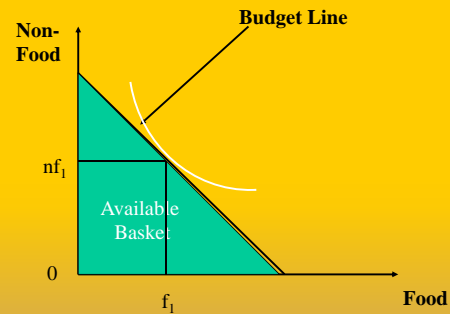
Food Availability

- **Economic Determinants of Food Availability**
 - Resources available -- income & time
 - Product options
 - Relative prices

Vosti et al., UCDAIC/ARE



Economic 'Availability' of Food and Other Goods



Vosti et al., UCDAIC/ARE



Public Policy Instruments for Changing Food Choices

- **Change Incomes**
 - Targeted groups
 - Poor, children -- WIC
 - Special currencies
 - Poor – Food Stamp Program
- **Change Relative Prices**
 - Tax 'fat foods'
 - Make 'healthy foods' cheaper
- **Change Product Options**
 - E.g., allowable foods for the Food Stamp Program
- **Change Food Preferences**
 - Revised USDA Pyramid and other ad campaigns
- **No Policy Action Is Costless**
 - Some are more effective and more cost effective than others

Vosti et al., UCDAIC/ARE



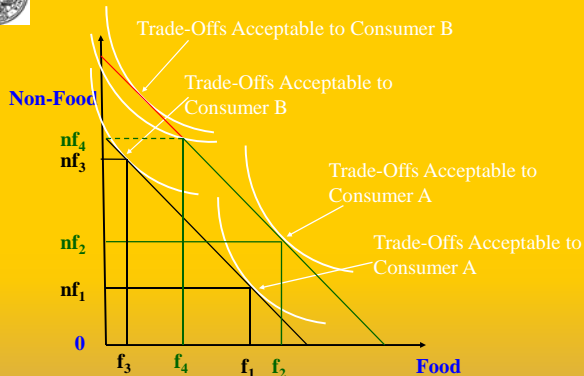
The Food Stamp Program

- **Established in 1930s to**
 - Stimulate consumption of surplus farm commodities
 - Provide additional calories to the food poor
- **Eligible households: income < 130% of poverty line**
- **50 % of eligible individuals have participated**
- **26 million participants (from ~11 m. households) in 2005**
 - 50 % children under 17, 17 % elderly, 23 % disabled non-elderly
 - 46 % in households headed by white adults
- **FSP spent \$31 billion in 2005**
 - \$ 93 per participant per month
 - \$200 per participating household per month
 - \$300 per household per month for families with children

Vosti et al., UCDAIC/ARE



Effects of Food Stamp Program



Vosti et al., UCDAIC/ARE



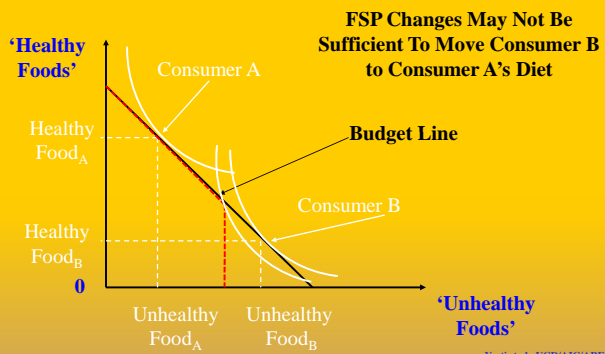
Proposed Modifications to FSP

- **Eliminate**
 - White bread, cookies, cakes, muffins
 - Cream, cream cheese, whole milk, cheese
 - Fruit juice drinks, soft drinks, punch, sport drinks
 - Most mixed prepared foods (pizza, frozen dinners)
 - Savory snacks, sweet snacks
 - Breaded and fried fish
 - Fattier cuts of meat
- **Keep**
 - Wholegrain bread, pasta, hot and cold cereals
 - Milk < 2% fat, cottage cheese, yogurts
 - All forms of fruit and veg., 100% fruit and veg. juice
 - Mixed prepared foods meeting dietary guidelines
 - All beans and legumes, peanut butter
 - Fresh, frozen, canned fish
 - Low fat cuts of meat, eggs

Vosti et al., UCDAIC/ARE



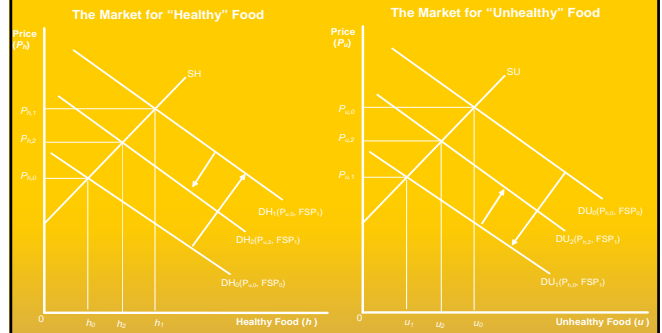
Faced With Identical Incomes and Relative Prices, Food Choices Can Differ Greatly



Vosti et al., UCDAIC/ARE



Supply Response to Policy Change



Vosti et al., UCDAIC/ARE



Main Points

- **Restriction of food stamps to only healthy foods may have unintended consequences**
 - If constraint is not binding (because “healthy” food expenditure exceeds food stamp value) no effect
 - If constraint is binding
 - Reduced participation by some eligible households
 - Reduced consumption of “unhealthy” foods by some FSP households => induced price changes and increased consumption of “unhealthy” foods by non-participants
- **Targets and instruments**
 - Use food stamps to provide food for the poor
 - Use other policies to encourage a healthy diet

Vosti et al., UCDAIC/ARE