



THE EXTENT OF TRAFFICKING IN THE FOOD STAMP PROGRAM: 1999 – 2002

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Central Issue

Trafficking – the exchange of food stamp benefits for cash – is against the law. This updated and improved analysis provides evidence of a substantial decline in the value of benefits trafficked over the last ten years.

Background

Food stamps are intended for food. When individuals sell their benefits for cash it violates the spirit and intent of the Food Stamp Program as well as the law. This practice, known as trafficking, diverts food stamp benefits away from intended nutritional assistance and undermines public perceptions of the integrity and utility of the program.

To combat trafficking, the Food and Nutrition Service conducts undercover investigations of authorized food stores. In addition, the agency has developed powerful new EBT-based administrative tools to identify and sanction traffickers.

A crucial question is the extent to which trafficking exists. Over the last ten years, USDA developed a method to estimate the extent of food stamp trafficking and released two prevalence estimates. This report, which examines the 1999 – 2002 calendar period, updates the two earlier analyses done by FNS. We have improved the estimate to take advantage of the new EBT-based tools. The findings are based on 14,642 undercover investigations of food retailers and 1,537 EBT-based administrative case actions against retailers suspected of trafficking.

Findings

Program integrity has improved substantially. Trafficking diverted about \$395 million per year from food stamp benefits between 1999 and 2002 (Table 1). As in prior years, this estimate is more likely to overestimate the dollars diverted from food benefits by direct trafficking in 1999-2002 than to underestimate it.

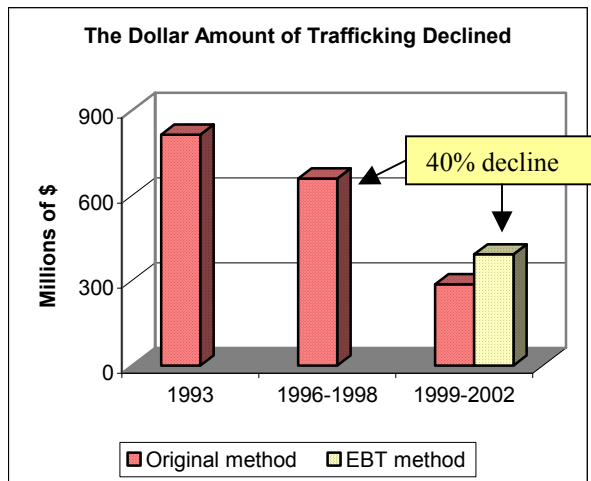
Table 1 - Annual Dollar Value of Trafficking (Dollars in thousands)

Type of Store	1993	1996 – 1998	1999 – 2002	
	Original Method	Original Method	Original Method	EBT Method
Supermarkets	\$282,058	\$279,163	\$99,746	\$117,180
Large Groceries	46,632	35,255	16,073	21,981
Subtotal	328,690	314,418	115,819	139,161
Small Groceries	177,809	154,109	111,747	159,114
Convenience	78,090	66,809	23,676	40,617
Specialty	117,004	55,782	16,608	22,904
Gas/Grocery	27,528	21,784	6,193	10,315
Other Types	82,605	43,892	13,377	20,684
Subtotal	483,036	342,376	171,601	253,634
All Stores	\$811,726	\$656,794	\$287,420	\$392,795

Note: To ensure consistent comparisons over time, the original method is based only on field investigations of food retailers. The EBT method combines the outcomes of EBT-based administrative case actions against retailers suspected of trafficking with the outcomes of the investigations used in the original estimate.

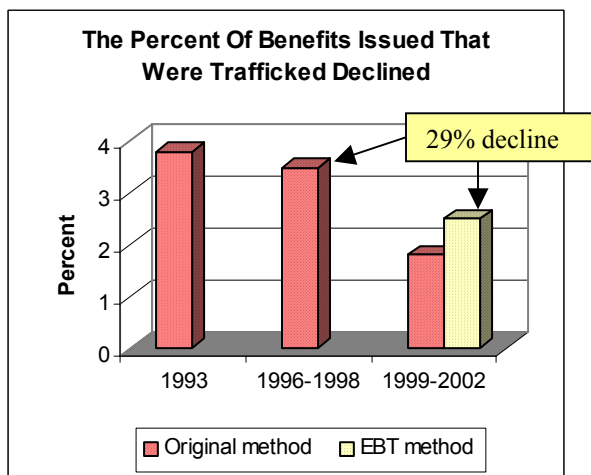
Trafficking is less than two-thirds of the \$660 million per year diverted between 1996 and 1998 and less than half of the \$815 million diverted in 1993 (Figure 1).

Figure 1



Trafficking now amounts to two-and-a-half cents of every benefit dollar issued, a 29 percent decline in the rate of trafficking between 1996 – 1998 and 1999 – 2002 (Figure 2).

Figure 2

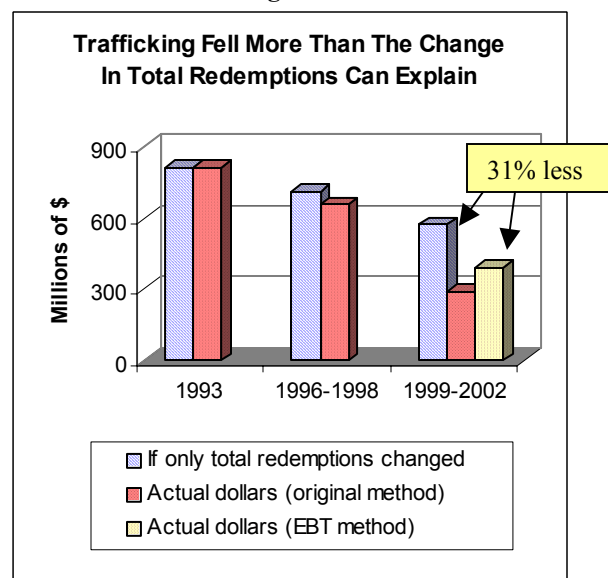


The stores that redeem the majority of food stamp benefits continue to have the lowest trafficking rates. Almost a quarter of the redemptions flowing through small groceries are trafficked. However, the impact is limited by the

fact that small grocery stores account for less than 5 percent of total food stamp redemptions. Super-markets redeemed nearly 83 percent of all benefit dollars but few of those dollars are trafficked.

The decline in total food stamp redemptions accounts for much of the decline in the value of trafficked benefits, but not all (Figure 3). Trafficking is 31 percent lower than it would be if the decline in redemptions was the only influence.

Figure 3



Note: This figure compares the actual trafficking amount with the amount that would have occurred as total redemptions declined if the rate of trafficking had not changed from 1993 levels. The difference between the striped and dotted bars measures the degree to which trafficking is affected by factors other than the level of total redemptions.

Reference

Macaluso, Theodore. *The Extent of Trafficking in the Food Stamp Program*. Alexandria, VA: Food and Nutrition Service, 2003.

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