



Highlights of [GAO-06-664](#), a report to congressional requesters

## Why GAO Did This Study

The Special Supplemental Nutrition Program for Women, Infants and children (WIC), authorizes retail grocers, called regular WIC vendors, to provide the food benefit. Recently, some states have seen an increase in vendors called WIC-only vendors, who stock only WIC food and accept only WIC vouchers. Both vendor types accept WIC vouchers in exchange for a cash payment, or redemption, from WIC state agencies with U.S. Department of Agriculture (USDA) grant funds. To determine what effect WIC-only vendors' growth would have on program expenditures, in the absence of recent cost containment legislation, you asked GAO (1) what is known about WIC-only vendors' growth and their share of the WIC market in recent years, (2) to what extent do WIC-only and regular WIC vendors differ, and (3) what would WIC-only vendors' contribution to WIC program expenditures have been, if their market share increased. GAO analyzed national WIC vendor data, interviewed WIC state officials about vendors' business practices, and analyzed redemption data from California, Texas and Florida.

## What GAO Recommends

GAO recommends that the USDA Secretary require, if collecting detailed information on WIC food purchases is cost-effective through electronic benefits transfer, that WIC state agencies collect data on the price and quantity of each food item purchased. USDA generally agreed with our findings.

[www.gao.gov/cgi-bin/getrpt?GAO-06-664](http://www.gao.gov/cgi-bin/getrpt?GAO-06-664).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cynthia Fagnoni at (202) 512-7215 or [fagnonic@gao.gov](mailto:fagnonic@gao.gov).

## WIC PROGRAM

# More Detailed Price and Quantity Data Could Enhance Agriculture's Assessment of WIC Program Expenditures

## What GAO Found

The number of WIC-only vendors has tripled since 1999, with growth concentrated in a few states. However, WIC-only vendors' share of the national WIC market was relatively small compared to that of regular WIC vendors in 2004. Nationally, WIC-only vendors increased in number from 394 in 1999 to 1,180 in 2004, but 84 percent of these vendors are in California, Texas, and Florida. Despite their growth, WIC-only vendors accounted for 3 percent of all WIC vendors nationwide, and their market share, that is, their percentage of all WIC redemptions nationally, was on average 6 percent in 2004. Because of limitations in the data, we were unable to calculate annual growth rates or analyze changes in market share over time.

WIC-only and regular WIC vendors generally employed different business and marketing practices, largely in response to the two different customer groups they served, according to WIC state agency officials. Because WIC participants are not required to consider retail prices, WIC-only vendors competed for participants' business by emphasizing customer service, which participants seemed to value. On the other hand, regular WIC vendors served non-WIC consumers as well as WIC participants. Because these non-WIC consumers are price sensitive, regular WIC vendors competed for their business based on price and competitors' behavior. An important difference in these approaches was that because WIC participants were not price sensitive, they might choose the service offered by WIC-only vendors, regardless of price. Finally, WIC-only and regular WIC vendors used similar food purchasing practices, because the cost of food purchased for resale is related more to the volume purchased than to the type of vendor purchasing the food. Both WIC-only and regular WIC vendors were able to lower the average cost of food purchased for resale when they bought in volume, according to WIC state agency officials.

If WIC-only vendors' market share in 2004 had doubled in California, Texas, and Florida, either about 3 percent—about 136,000—fewer participants could have been served in each state, or program food expenditures would have increased about 3 percent—about \$50 million—according to our scenario estimates. The average value of all vouchers redeemed by WIC-only vendors in 2004 was higher than the average value of all vouchers redeemed at regular WIC vendors. Thus, if the number of vouchers redeemed by WIC-only vendors had increased and state food expenditures remained at 2004 levels, fewer vouchers could have been issued, and fewer participants served. Conversely, if the number of vouchers issued remained at 2004 levels, the higher average value of vouchers redeemed at WIC-only vendors would have resulted in increased program expenditures. However, the price and quantity of the individual food items that make up the vouchers were not available to us; therefore we could not determine if the higher average value of vouchers meant that prices for individual food items were higher at WIC-only vendors. Making price comparisons would require food item price and quantity data for both WIC-only and regular WIC vendors, at a minimum.