

THE EXTENT OF TRAFFICKING IN THE FOOD STAMP PROGRAM: AN UPDATE

Office of Research and Analysis

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Summary

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 stamps away from their purpose. It reduces intended nutritional benefits and undermines public perceptions of the integrity and utility of the program. A crucial question, therefore, is the extent to which trafficking exists.

Several years ago, a method to calculate data-based estimates of the prevalence of trafficking was developed by USDA. The Extent of Trafficking in the Food Stamp Program used this method to analyze over 11,000 completed undercover investigations of trafficking and generate an estimate for calendar year 1993. This report duplicates the precise methodology of the earlier analysis with more than 10,000 new investigations to generate an estimate for the 1996 - 1998 calendar year period. We find that:

- The amount of trafficking has decreased. Stores trafficked about \$660 million per year for cash from the government in the 1996 - 1998 period, a 19 percent decline from the \$815 million trafficked in 1993.
- The rate of trafficking has also decreased. The trafficking rate – which compares dollars trafficked to benefits issued – declined 8 percent: from almost four cents of every dollar of food stamp benefits issued to three-and-one-half cents of every dollar issued.

FNS concentrates its enforcement efforts on stores most likely to traffic. In addition, the expansion of Electronic Benefit Transfer (EBT) – which had grown to half of all issuance during this period – makes certain forms of trafficking harder to conduct and large-scale trafficking easier to detect. For these reasons, we find the largest reduction in the trafficking rate among the store categories most likely to traffic – privately-owned stores, especially small ones that do not stock a full line of food.

When we repeat our analysis of where store violations occur the overall pattern remains unchanged:

- Dramatic differences exist among store types: the percent of redemptions that are trafficked ranged from nearly zero to over fifteen percent across store categories.
- The stores which redeem the overwhelming majority of food stamp benefits continue to have very low trafficking rates.

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