

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

Office of Research and Analysis

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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 their purpose. It reduces 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, first for 1993 and an update for calendar years 1996-1998. This report updates the two earlier analyses for the 1999 - 2002 calendar year period. 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. About \$395 million per year was diverted from food stamp benefits by trafficking between 1999 and 2002. This 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.

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.

The stores which redeem the majority of food stamp benefits continue to be stores with 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. Supermarkets redeemed nearly 83 percent of all benefit dollars but few of those dollars are trafficked.

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