

Background

Trafficking – selling food stamp benefits to food retailers for cash – impedes the mission and compromises the integrity of the Food Stamp Program. While not a cost to the Federal Government, trafficking diverts benefits from their intended purpose of helping low-income families access a nutritious diet. The Food and Nutrition Service (FNS) uses a set of EBT-based administrative tools and undercover investigations to identify and sanction trafficking retailers, and to estimate the extent of trafficking. The estimates of the amount of trafficking, the trafficking rate, and the store violation rate reported here are based on information from almost 33,000 stores subject to administrative or undercover investigation from late 2002 through 2005.

A simple comparison of the number of violating stores and their redemptions to the total number of questionable stores or redemptions would overstate the extent of trafficking because retailers are not selected randomly for investigation or administrative action. Stores are subject to examination because there is some information that suggests trafficking. To correct for at least some of this bias, estimates in this and prior reports adjust the trafficking figures to reflect the national population of food stamp

redemptions and authorized stores. The estimates may understate the extent of trafficking if investigations or administrative actions do not identify all violations. On balance, the estimates are more likely to be too high rather than too low.

Although FNS has used the same analytic procedures in each of the trafficking estimates since 1993, recent estimates have incorporated more comprehensive data. As a result, the best estimate for the current period is not strictly comparable to the best estimates available in previous periods. This report presents three separate estimates to enable consistent comparisons over time: *original estimates* based only on store investigations; *revised estimates* based on store investigations and administrative actions; and *current estimates* that also include investigations by the Office of the Inspector General and incorporate the full population of stores with unusual redemption patterns. The original estimates are available for each period since 1993, the revised estimates are available since 1999 – 2002, and the current estimates are available only for 2002 – 2005.

Findings

Trafficking diverted an estimated \$241 million per year – or about one cent of each

Food Stamp Redemption and Trafficking: 2002 - 2005

	Percent of All Stores	Percent of All Benefits	Trafficking Amount (000s)	Trafficking Rate	Store Violation Rate
Large Stores	27%	90%	\$50,757	0.2%	2.2%
Small Stores	73%	10%	\$189,916	7.6%	9.3%
All Stores	100%	100%	\$240,673	1.0%	7.4%

Note: Estimates for the amount of benefit trafficking have been annualized.

dollar – from food stamp benefits between 2002 and 2005. About 7 percent of all stores are estimated to traffic. These are the *current estimates* using the most complete data available.

Stores that redeem the most food stamp benefits have the lowest trafficking rates. Larger supermarkets and grocery stores, while accounting for 90 percent of food stamp redemptions, have a trafficking rate of only 0.2 percent. Smaller stores have a substantially higher trafficking rate (7.6 percent) but account for only 10 percent of all redemptions.

Both the value and rate of trafficking continue to fall. Based on a comparison of consistently produced estimates, the value of trafficked benefits in 2002 - 2005 was less than 20 percent of the value diverted in 1993. Nationwide implementation of EBT is thought to have been a major factor behind the improvement over this period. The rate of trafficking in 2002 - 2005 (about 1 cent on the dollar) was less than half the rate in 1999 - 2002 (about 2.5 cents on the dollar).

Trafficking declined even as food stamp participation and total benefits increased. Between 1999 and 2005, the number of

participants increased from 18 million to nearly 26 million, and the value of food stamp redemptions grew from \$15.8 billion to \$28.6 billion. The proportion of benefits redeemed through EBT increased from about 90 to 100 percent. While the number of stores redeeming benefits remained relatively stable, the share of benefits redeemed in larger stores increased from about 87 to 90 percent.

Summary

The best estimates available indicate that food stamp trafficking continues to decrease. Although the methodology used to generate these estimates has some limitations, improvements in the available data and the consistency in the trend across different estimates strengthens this conclusion. Further improvements to the precision of trafficking estimates would require new resources to assess the prevalence of trafficking among a random sample of stores.

For More Information

Mantovani, Richard (forthcoming). *The Extent of Trafficking in the Food Stamp Program: 2002 – 2005*. Prepared by ORC Macro for the Food and Nutrition Service.

