

The Impact of Rising Food Prices on Hunger in America

Presentation at the House Hunger Caucus Briefing

Jim Weill

President

Food Research and Action Center

April 16, 2008

I appreciate the opportunity to talk this morning about the impact on low-income people of rapidly rising food costs, especially in the context of the current economic downturn.

For millions of American families, the rising food prices and the recession we are seeing unfortunately do not come as a sudden change in fortune. Instead, they come as an exacerbation of an already difficult situation. Tens of millions of people in this country, even before these events, were suffering from low and stagnant wages, inadequate benefits, and inadequate and often shrinking public supports. As a result, many of them were suffering real hardship even in the better times for the economy as a whole – at least better times as measured by GDP.

One important form of this hardship has been food insecurity. The Census Bureau and U.S. Department of Agriculture tell us that, before these most recent economic troubles began, 11 percent of households in this country, with 35 million people in them, were “food insecure.” (These are the latest, 2006 data.) And families with children were even more likely to be food insecure – 15.6 percent of such households were food insecure.

“Food insecurity” means that the households, because of shortages of resources, are running out of food during the month, or parents are skipping meals so children can have enough to eat, or the family can’t purchase a minimally adequate, balanced and healthy diet, or otherwise the families are struggling with hunger.

This isn’t an abstraction. Many people in these households are hungry when they go to sleep, to school, to child care, to work. And food insecurity – even when there is no outright hunger – can bring on stress, unhealthy diets and corner-cutting on other basics that hurt children’s health, development and learning and adults’ work and family lives.

Again, nearly 16 percent of households with children were food insecure in 2006. And an additional 10 percent of households with children lived in what USDA refers to as “marginal food security” – their situation is nearly as problematic. As a result, many of them are vulnerable to becoming food insecure when circumstances change – as when hours of work or wages decline, or when prices jump – or as is true now, both happen. Thus, we can expect that the numbers of hungry and food insecure, and marginally secure, households will grow.

There is another way that low-income families are uniquely vulnerable to rising prices. The average family in this country spends about 7 percent of its income on food at home

(and another 5-6 percent on food away from home). At the poverty line, however, a family spends (or, more accurately, whether or not it actually can do so, needs to spend in theory, to have any chance of obtaining a minimally adequate diet) as much as one-third of its income on food. Of course, it is those who spend the largest proportions of their incomes on food and who have no discretionary income on which to draw who are hurt the worst by rapid food inflation.

Well, prices have jumped. The federal consumer price index for the cost of food at home rose 5.1 percent from February 2007 to February 2008.

But even worse, the mix of food that low-income people buy has increased in price even faster. From February 2007 to February 2008, the price of the Thrifty Food Plan rose at an even faster clip – 6.5 percent.

The Thrifty Food Plan is the least expensive basket of food which the government goes into the market and prices. In other words, if you are low-income, the inflation rate in the Thrifty Plan is what you are more likely to face. While generally speaking, people can't as a practical matter obtain an adequate, healthy diet for the amount of the Thrifty Plan, its inflation rate is a more accurate indicator of how much low-income people in particular may be suffering from food price inflation, and inflation for that plan is leaping ahead.

I'm going to talk in a minute about the federal nutrition programs – their strengths and weaknesses in this environment – but first it is important to note how these escalating food prices harm low-income people outside of the programs. Food stamps and other supports don't reach all people in need – far from it. The most recent data (from 2005) indicate that only about 65 percent of eligible people receive food stamps. And millions more people in need aren't even eligible because of various program limitations. So tens of millions of lower-income people are in households that don't even have food stamps as a crucial, if only partial, buffer against food inflation. Summer food, school breakfast, senior nutrition programs and others reach even smaller proportions of those who are eligible.

Rising food (and energy) prices create special havoc for the poor in one further way: every month low-income people have to pay certain fixed costs: the rent or mortgage; health insurance premiums; minimum credit card or payday loan payments; gasoline to drive to and from work; car insurance. Their most malleable costs may be food, out-of-pocket medical bills, and heat. But these are expenditures that are pared down only at a high price in terms of health and well-being – for adults certainly, and even greater cost often for children.

And reports from across the country -- from polls, from food stamp intake offices, from food banks and pantries, and from the media -- are that large numbers of people already are taking these steps – cutting back on food (and heat and medicine) – or are fearful of or expecting to have to do so soon.

They are scrambling to minimize the pain, but with only modest success.

It is only modest success first because such large numbers of people face these problems, and their numbers are growing, and the depth of their problems is growing, so that both family coping mechanisms and community and governmental systems are becoming overwhelmed. And second, because even food stamps don't keep people up with inflation, so our most important anti-hunger program has rules under which people lose more ground the faster that food inflation is.

In general, the Food Stamp Program is a great program:

- nearly 28 million people currently receive benefits;
- the benefits make a huge difference for working poor and unemployed people, and their children, as well as for seniors and disabled persons; and
- it is one of the few counter-cyclical programs left – like Unemployment Insurance, because it is an entitlement targeted on the unemployed and working poor, it grows when more people need its benefits. That is why the number of beneficiaries soon will pass 28 million. That is why Oklahoma recently reported that one-third of its children have been on food stamps at some point during last year.

But the program is too skimpy, both in its reach and its benefits. It needs to cover more low-income people. And benefits need to be more adequate – for starters they must be fully indexed rather than lose ground to inflation – the pain of which we are especially learning now. Because the standard deduction, the minimum benefit and other aspects are not indexed (although other key elements of the program are), food inflation is being felt directly by those who are least able to handle it.

So there are two things that need to happen in the next few days and weeks:

- The Farm Bill nutrition title needs to be enacted. Over time it fixes the under-indexing problem and provides other modest gains in benefits and eligibility.
- However, the Farm Bill is not an answer to the pain low-income families are facing today and in the weeks and months ahead. For that reason, the next economic stimulus bill needs to include a temporary boost in families' food stamp payments. Low-income families need this. And it's the best thing for the economy. In the discussion in the last three months on how best to stimulate the economy, conservative and liberal economists, ranging from Reagan advisor Martin Feldstein to Clinton Treasury Secretary Robert Rubin to Federal Reserve Chairman Ben Bernanke, have argued that food stamps are the quickest and most effective form of stimulus, because the benefits are spent so quickly and completely by needy people, and because there is almost \$2 of economic return

for every \$1 of benefits issued. But a food stamp boost dropped out of the first stimulus package late in the day. It needs to be in the next stimulus package.

Once we have taken these two steps, we will still have to address the broader problem of how to protect low-income people against the likely long-term rise in food and energy costs:

- The nation will need to bolster family incomes (food programs are important, but they certainly are not enough). Reducing hunger will mean raising wages and benefits at work, and improving public supports like refundable tax credits, Unemployment Insurance, TANF, and others.
- We will have to strengthen food stamps more.
- We will have to make sure WIC, school meals, summer food, TEFAP, Meals on Wheels and other nutrition spending by the government also respond adequately to escalating food prices.

I don't have time this morning to review the impact on each of these programs. But programs like WIC and Meals on Wheels and TEFAP which are not entitlements will need supplemental appropriations or other relief. And Congress also needs to look at the entitlement programs like school meals and summer food to see what damage the food price increase may be causing there. We risk a deterioration in the quality of nutrition served or providers dropping out of the child nutrition programs because, to the degree reimbursement levels are too low to begin with, even if the reimbursement is indexed, the cost of the un-reimbursed part of the program is rising rapidly and deterring participation or quality improvements.

One last note: an article two weeks ago in a major national newspaper's food section was titled "Good News About Rising Food Prices." The theory put forth by the people quoted in it is that those foods which are not good for us are rising faster in price than are fruits and vegetables, so the price rise will drive people to healthier foods.

Of course, this slowdown in inflation on fruits and vegetables has only been true for the last few months. For years, the opposite has been true. From the early 1980s to today, while the cost of food roughly doubled, the cost of fruits and vegetables nearly tripled. But in any event, the article was wholly divorced from the reality of tens of millions of Americans' lives. Rising food prices will mean worse diets, not better, and will mean more hunger.

As I mentioned, fully 25 percent of American households with children are food insecure or only marginally food secure. There is great harm to the nation's future when it is becoming far harder for these and other struggling households to purchase enough food, much less healthy foods. This is not a positive social change.

For those reasons, the article would be wrong even if healthy foods were readily available to low-income people, and at reasonable prices, but often they are not. We at the Food Research and Action Center have an initiative in the District of Columbia to look at so-called “food deserts” – areas with few or no grocery stores and supermarkets – and see what healthy foods are available, if any, and if we can improve the situation. Recently we went into 21 corner stores in one area of the District, and we didn’t find a single apple. Rising food prices, regardless of the mix in where the rise is, are not the answer to unhealthy eating. The newspaper article didn’t have any food stamp recipients quoted as saying “I’m feeling the squeeze but my family is eating more healthily,” or school food service directors noting that the food inflation problem is driving children to the salad bar. The answer to food insecurity and the need to assure healthy eating is better wages and better supports so families can afford adequate diets with healthy foods. Rapid price increases make that harder.

We have come a long way in this country in the 40 years since a CBS documentary on Hunger in America first roused the nation to the issue of hunger. With the federal government leading the way, we have eliminated much of the most serious malnutrition. But we still have a serious hunger and food insecurity problem in this nation, even though it may be less visible. Rapidly rising food prices, particularly if they continue (as expected) over several years, push us back in the wrong direction, unless we quickly find ways to fully protect low-income people against the consequences.