

## Federal Food Assistance Programs

This chapter will enable you to:

- ▶ Be aware of various programs specific to markets and consumers in low-income communities.
- ▶ Make informed decisions about participation in federal food assistance programs.

**B**efore choosing to move ahead with starting a farmers market in a low-income area, you will need to establish the feasibility of the market by adapting the feasibility study process outlined in Chapters Five through Eight. If the prospects for a new market's success are positive, then the organizing committee needs to establish a board of directors, hire a market manager, and follow the same process outlined in Chapters Nine through Sixteen.

Additional considerations apply to markets in low-income areas. The U.S. Department of Agriculture's (USDA's) Food and Nutrition Service (FNS) now operates several programs that help low-income people obtain better access to food and nutrition. Three of these services—Women, Infants and Children (WIC), Senior Farmers Market Nutrition Programs (SFMNP), and Food Stamps—can be used at farmers markets with benefits to consumers as well as vendors. During the

feasibility study, the financial-analysis committee can assess the potential of the market to work with various food assistance programs and how doing so would affect the financial viability of the market.

### Farmers Market Nutrition Programs

Two of USDA's Food and Nutrition Service programs directly involve farmers markets—the WIC Farmers Market Nutrition Program (FMNP) and SFMNP. WIC provides supplemental food, health care referrals, and nutrition education at no cost to women who are pregnant or postpartum and to infants and children up to five years old who are at nutritional risk. SFMNP awards grants to states, U.S. territories, and federally-recognized Indian tribal governments



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to provide low-income seniors with coupons that can be exchanged for approved foods at farmers markets, roadside stands, and CSA programs.

Both programs provide only a limited value of coupons per year to each participant (typically \$20) per season, but the cumulative income can still be significant for vendors. In addition, the educational components of the programs promote the health benefits of eating fresh produce and expose potential new customers to farmers markets. A California survey of WIC FMNP participants showed that they consumed an average of about one extra serving of fruits and vegetables per day after participating in the program. Eighty-five percent reported that their first visit to a farmers market was through the program.

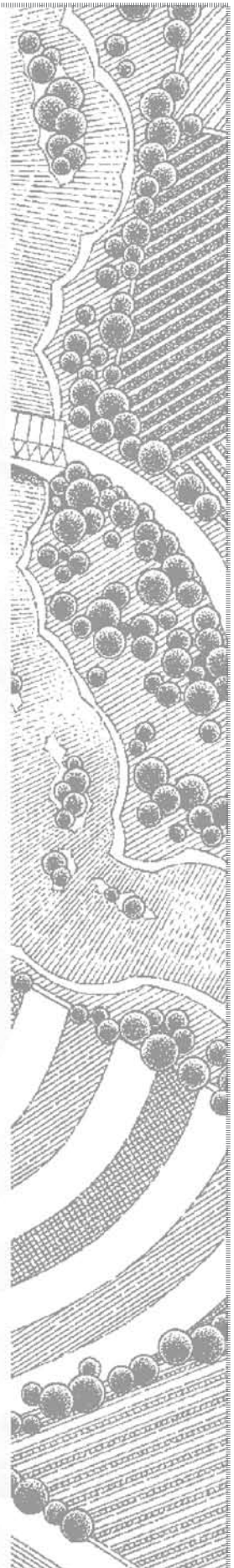
*A 1997 random survey of 2,000 participants in the USDA WIC FMNP found that the program helped motivate low-income . . . mothers to buy and eat fresh fruits and vegetables from farmers markets.*

Farmers who receive the coupons generally exchange them with farmers market management for cash or as payment for their stall fees. The issuing state agency then reimburses the market for the value of the coupons. Farmers also may redeem the coupons as they would cash checks at local banks.

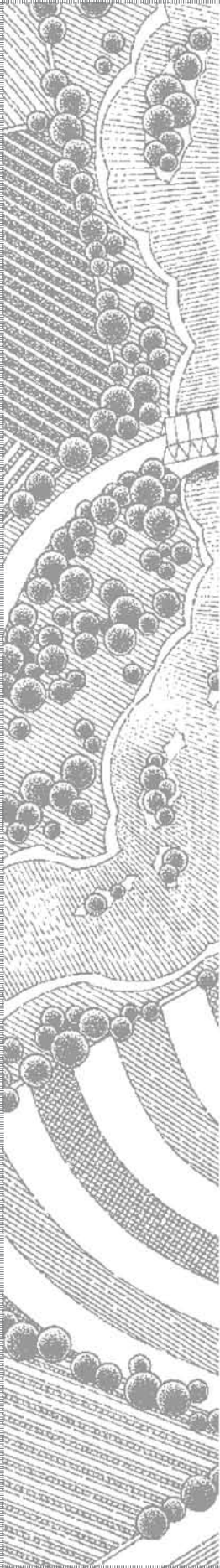
The farmers market nutrition programs are popular with vendors because of the additional sales generated by the program's coupons. Marcia Veldman, manager of the Bloomington Community Farmers Market in Bloomington, Indiana, reports that, when the WIC FMNP coupons were first introduced at her market, only a few vendors chose to participate. But other vendors quickly signed on when they saw how many additional sales were generated for farmers at booths that accepted them. Her vendors found that signing up was simple, and they enjoyed being able to sell their products to the women participating in the program, which has grown significantly. In 1998, it accounted for \$13,245 in sales at the Bloomington market. At New York City's Greenmarkets, FMNP purchases accounted for \$800,000 in sales in 2000.

Successful FMNP projects have included educational components that result in significant benefits such as increased consumption of fresh vegetables and a greater awareness of local sources of fresh produce. Markets that have participated in FMNP projects that did not successfully convey information to customer-participants found mixed success with the program. The case study at the end of this chapter illustrates an example of this concern.

Many state agencies and tribal organizations participate in FMNP. To find out if your state is involved, visit the USDA website for updates and additional information or call the local USDA Food and Nutrition Service field office.







USDA and Congress have received assistance in FMNP promotion from the National Association of Farmers Market Nutrition Programs. This organization is made up of representatives from participating states, tribes, and territories in addition to the markets involved. The association produces an annual report that analyzes how the coupons are used and provides details on their impact in each state.

## Food Stamp Program

Nineteen million people received food stamp assistance in 2002. The Food Stamp Program serves U.S. citizens and qualifying noncitizens who have been determined to be in need of food assistance. The program's goal is to help low-income households purchase the food they need for a nutritionally adequate diet. State and local welfare offices operate the program under the administration of the federal government.

The Food Stamp Program enables low-income families to buy nutritious food with coupons and electronic benefits transfer (EBT) cards. Food stamp recipients spend their benefits to buy eligible foods from authorized retail food stores and farmers markets.

Many farmers markets are authorized to accept food stamps. As with FMNP, the benefits are transferred, either by an authorized vendor or the market management, directly into the retailer's bank account. To learn more about the Food Stamp Program, visit the USDA Food Stamp Program website at [www.fns.usda.gov/fsp](http://www.fns.usda.gov/fsp), email [fsphq@fns.usda.gov](mailto:fsphq@fns.usda.gov), or call 800.221.5689 for contact information.

## Electronic Benefit Transfer

An important change in the method in which the Food Stamp Program is being administered is currently being implemented. The Welfare Reform Act of 1996 required that all states eventually switch to issuing Food Stamp Program benefits via electronic benefit transfer or EBT. EBT is intended to replace paper stamps.

### What is EBT?

Forty-nine of the fifty-one EBT systems currently in operation use magnetic strip cards similar to bank debit cards. Food stamp recipients are given an account, choose a personal identification number, and then use the cards at points of sale to purchase food. Transactions are completed online, usually via a telephone connection.

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When the cards are swiped through a transaction machine, the online system authorizes the identification number, examines the available balance, and, upon approval, transfers the government benefits from the consumer's account to the retailer's account. Instead of picking up food stamps at the local office, food stamp recipients are given their regular monthly benefits by an automatic addition to their EBT accounts.

Two states, Ohio and Wyoming, are implementing alternative EBT systems that use an offline "smart card" technology instead of online magnetic strip cards. The "smart cards" are embedded with microprocessor chips that manage account transactions at the point of sale without the need for a network connection. Monthly balances are reset when a participant visits the local benefits office.

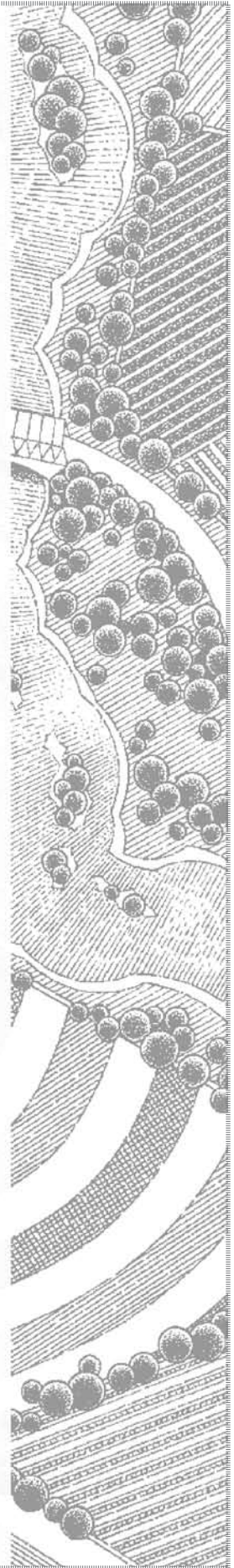
All the equipment required to implement these systems is provided free of cost to retailers by the state or a state-contracted supplier. Retailers still must acquire authorization from the local USDA Food and Nutrition Service field office to participate. To find the most current information on EBT, visit the USDA Food and Nutrition Service website at [www.fns.usda.gov/fsp/ebt/default.htm](http://www.fns.usda.gov/fsp/ebt/default.htm).

### How EBT Impacts Farmers Markets

EBT appears to be a more efficient and secure system for providing welfare recipients with their benefits while helping to reduce fraud. All states are either using the system or planning its implementation. Most businesses are already familiar with the technology to process EBT cards since they accept credit and debit cards. Unfortunately for farmers markets, most of those cards require online transaction machines. The machines communicate over telephone lines with a host computer to perform the balance transfer. Most markets do not have this type of technology currently available and there is considerable speculation about how to implement it.

Eighty-five percent of food stamp benefits were issued via EBT in 2002. Contact the local Food Stamp Program field office for more information on how food stamp purchases are handled in your state. For a brief description of projects involving EBT and farmers markets, visit [www.fns.usda.gov/fsp/ebt/ebt\\_farmers\\_markstatus\\_4\\_01.htm](http://www.fns.usda.gov/fsp/ebt/ebt_farmers_markstatus_4_01.htm).

Farmers markets can play a vital role in the food systems of low-income communities. The Food Stamp and Farmers Market Nutrition Programs support this role, providing links between farmers and low-income communities through farmers markets. Facilitating the use of noncash purchases through EBT and similar programs enhances the services a farmers market provides to its vendors and its customers.





### The Role of EBT Participation in Market Competition and Success

In 2002, the average value of food stamp benefits was about \$80 a month. Any portion of those benefits could have been redeemed at a farmers market. When EBT cards are issued in an area in which farmers markets are not prepared to process them, the markets lose their share of that potential revenue. For farmers markets to retain these customers, they must be able to accept the same government aid programs that are accepted at grocery stores and supermarkets.

*The farmers market immediately experienced a large drop in sales when EBT was implemented in a pilot project. Albuquerque was one of the first places where EBT was introduced and the farmers market was not prepared to process the EBT cards.*

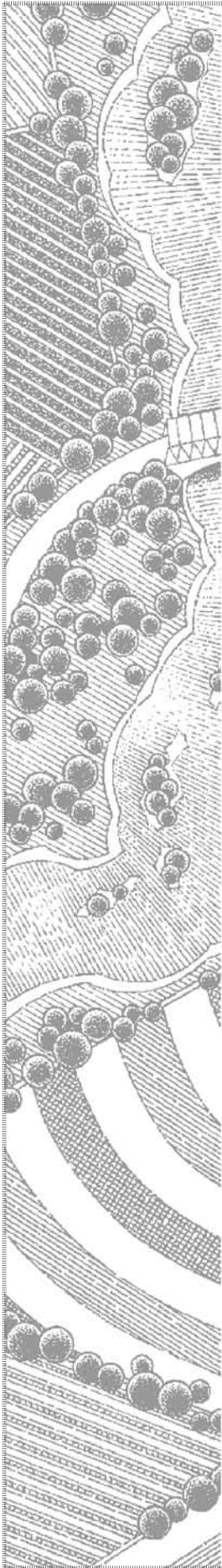
– Pam Roy, executive director of the Santa Fe Area Farmers Market in Albuquerque, New Mexico

### Implementing EBT at Farmers Markets

Markets around the country are working on a variety of methods for adopting EBT technology with various degrees of success. Some markets are experimenting with automated teller kiosks that accept EBT cards and issue “market dollars,” a currency that is accepted only at the farmers market. Several slower-paced rural markets have also tried handling EBT transactions with a single machine at the manager’s stand. The manager debits the card for a requested amount in exchange for market vouchers of equal value.

For fast-paced urban markets that handle large volumes of customers, such a system is likely to be too slow to be effective. These markets need several machines and potentially one machine per vendor. Just setting up the phone lines for such a system presents a challenge. People have tried cellular and radio technology transaction devices when they cannot hook up to a phone line, but these technologies are expensive and have not yet become cost effective.

In Wyoming and Ohio, the food stamp program is changing over to EBT through the use of the smart cards that have a microprocessor chip inside. The transaction machines, called “smart wallets,” can authorize the user’s identification number and debit the amount of the purchase through the chip, which eliminates the need for online communication with a host computer. Then, by going online once at the end of the business day, all of the accounts are settled and confirmed. Smart cards are commonly used in Europe but relatively unknown in the United States.



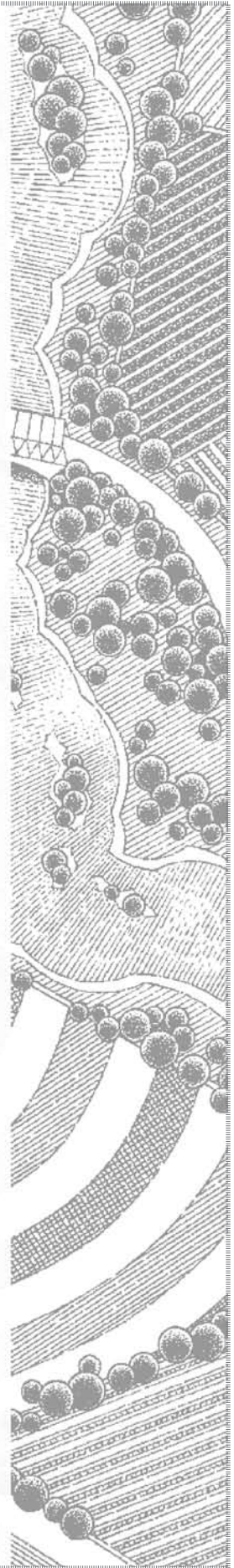
### Case Study: Education as a Part of Assistance Programs

With new customers at farmers markets, education about seasonal availability and ways to prepare fresh produce contributes greatly to a market's success. Alice Whitlatch with the Cedar County Farmers market in Tipton, Iowa, found that accepting Farmers Market Nutrition Program (FMNP) coupons was challenging because participants were not familiar with farmers markets and the seasonal availability of items sold there. She discovered a great need for education and communication, not only for FMNP recipients but also for Women Infant and Children (WIC) Program personnel and farmers market vendors.

Whitlatch found that the women participating in WIC FMNP would not come to the market until the end of the season when they realized they had to use the coupons, which could not be redeemed elsewhere. At the market, they found few stalls and a sparse selection of produce. Frustrated, the women ended up buying large quantities of produce that they did not necessarily know how to prepare simply because it was the last chance to use the coupons before the season ended.

For vendors, it was upsetting to see the women's disappointment and frustrating to see the FMNP coupons used so ineffectively. Market employees realized that the participants were not familiar with farmers markets and did not always find them accessible. As a result, the Cedar County Farmers Market has begun to offer outreach and education to the women on how the markets work, why the availability and diversity of produce is seasonal, and the stalls at which the coupons can be used. Market members also work with the WIC office, encouraging the staff there to explain the process to new WIC recipients.

Whitlatch and her fellow vendors hope that in the coming years more and more WIC participants will recognize how much the farmers market offers and more often use their coupons in a way that benefits everyone involved.





## Involving the Market in Food Assistance Programs

The importance of food assistance programs to a market depends on the market's mission, clientele, and available resources. Questions to be addressed by market management, the board of directors, and vendors during an assessment of the programs' importance include:

- How important are food assistance programs to customers in the area?
- Will the market as a whole participate in the Food Stamp Program, the WIC FMNP program or both or will the decision be left to individual vendors?
- Are Food Stamp Program recipients using EBT in the area?
- What is the process by which vendors and/or the market can be authorized to participate in these programs?

Participation in the Food Stamp Program requires a transition to EBT, but there is no such mandate for WIC. WIC intends to develop a technology that can do more than simply authorize personal identification numbers and check balances. WIC would like to establish a system that can provide food, prescriptions, and health information in addition to payments. The implication for farmers markets? While FMNP coupons are likely to stay around for a few more years, new technology is on the horizon.

Shoppers may be confused if only some vendors at a market accept federal assistance programs. Vendors' stalls should clearly display signs stating the methods of payment that are accepted. Generally, participation in both of the programs is left up to individual vendors rather than made by market management. However,

some markets have added a rule to the bylaws dictating that all vendors must accept food stamps and FMNP coupons. For markets operating in low-income neighborhoods, acceptance of government program payment systems is essential.

Marcia Veldman, manager of the Bloomington Community Farmers Market in Bloomington, Indiana, reports that her state's Health Department makes the annual sign-up for her market vendors straightforward. Each year at a meeting before the market season opens, the state representative comes to sign up new members, hand out signs for stalls, and give each vendor a stamp to put on the coupons they accept.

### How to Sign Up

Acquiring authorization to accept food stamps, EBT payments, and FMNP coupons is generally easy but does vary from location to location. The process is free but may require an in-person interview

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or training session and up to thirty days may be required for processing of the application for authorization. Contact the local USDA Food and Nutrition Service field office for more information or visit [www.fns.usda.gov/fns](http://www.fns.usda.gov/fns).

