

FOOD STAMPS

Follow the Money



Are Corporations
Profiting from
Hungry Americans?

Michele Simon

EXECUTIVE SUMMARY

This report examines what we know (and don't know) about how food manufacturers, food retailers, and banks benefit from the Supplemental Nutrition Assistance Program (or SNAP, formerly known as food stamps). The nation's largest food assistance program, SNAP expenditures grew to \$72 billion in 2011, up from \$30 billion just four years earlier, and is projected to increase even more if the economy does not improve.

Right now, Congress is debating the 2012 Farm Bill—and some politicians are proposing massive cuts to SNAP at a time when more Americans than ever need this important lifeline. Meanwhile, some health experts are raising questions about whether it makes sense to allow SNAP purchases for unhealthy products such as soda and candy. Advocates are also looking for ways to incentivize healthy food purchases. While much attention has focused on how farm subsidies fuel our cheap, unhealthy food supply, SNAP represents the largest, most overlooked corporate subsidy in the farm bill.

Our research found that at least three powerful industry sectors benefit from SNAP: 1) major food manufacturers such as Coca-Cola, Kraft, and Mars; 2) leading food retailers such as Walmart and Kroger; and 3) large banks, such as J.P. Morgan Chase, which contract with states to help administer SNAP benefits.

Each of these sectors has a critical stake in debates over SNAP, as evidenced by lobbying reports, along with important data being kept secret.

Key findings about corporate lobbying on SNAP:

- Powerful food industry lobbying groups teamed up to oppose health-oriented improvements to SNAP
- The food industry also joined forces with anti-hunger groups to lobby against SNAP improvements
- Companies such as Cargill, PepsiCo, and Kroger lobbied Congress on SNAP, while also donating money to America's top anti-hunger organizations
- At least nine states have proposed bills to make health-oriented improvements to SNAP, but none have passed, in part due to opposition from the food industry
- Coca-Cola, the Corn Refiners of America, and Kraft Foods all lobbied against a Florida bill that aimed to disallow SNAP purchases for soda and junk food

Key findings about how much money retailers gain from SNAP:

- Although such data is readily available, neither USDA nor the states make public how much money individual retailers make from SNAP

- Congress does not require data collection on SNAP product purchases, despite such data being critical to effective evaluation
- USDA told a journalist in Massachusetts he was not allowed to make public data on retailer redemptions from SNAP—after he received the data
- In one year, nine Walmart Supercenters in Massachusetts together received more than \$33 million in SNAP dollars—over four times the SNAP money spent at farmers markets nationwide
- In two years, Walmart received about half of the one billion dollars in SNAP expenditures in Oklahoma
- One Walmart Supercenter in Tulsa, Oklahoma received \$15.2 million while another (also in Tulsa) took in close to \$9 million in SNAP spending.

Key findings about how much money banks gain from SNAP:

- USDA does not collect national data on how much money banks make on SNAP
- J.P. Morgan Chase has contracts for Electronic Benefits Transfer (EBT) in half the states, indicating a lack of competition and significant market power
- Contract terms vary widely among states, indicating a lack of efficiency and standards

- In California, a 7-year contract worth \$69 million went to Affiliated Computer Services, a subsidiary of Xerox
- In Florida, J.P. Morgan Chase enjoys a 5-year contract worth about \$83 million, or \$16.7 million a year
- In New York, a 7-year deal originally paid J.P. Morgan Chase \$112 million for EBT services, and was recently amended to add \$14.3 million—an increase of 13%
- States are seeing unexpected increases in costs, while banks are reaping significant windfalls from the economic downturn and increasing SNAP participation.

KEY RECOMMENDATIONS

- Congress should not cut SNAP benefits at this time of extreme need
- USDA should make data on SNAP retailer redemptions available to the public
- Congress should require USDA to collect data on SNAP product purchases
- USDA should collect data on SNAP bank fees to assess and evaluate national costs
- USDA should grant states waivers to experiment with health-oriented improvements to SNAP.

ACKNOWLEDGEMENTS

Thanks to Christopher Cook for superb research and writing, Brandy King, Susan Miller, Sarah Pearlman, and Amy Wong for expert research assistance; to Siena Chrisman, Andy Fisher, Nick Freudenberg, Anna Lappé, and Ben Lilliston for helpful feedback on earlier drafts; to Haven Bourque and Lena Brook for top-notch media outreach; and Ross Turner Design for professional layout.



This report was written by Michele Simon, public health attorney and president of Eat Drink Politics, an industry watchdog consulting group. Contact her at: (510) 465-0322 or Michele@EatDrinkPolitics.com.