



Rising Food Prices: Budget Challenges
Presentation for the House Committee on the Budget

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I want to thank the Chair and members of the Budget Committee for the opportunity to speak with you today about the impact rapidly rising food costs is having on low-income people, especially during this economic downturn. I am Sue Berkowitz, director of the South Carolina Appleseed Legal Justice Center. SC Appleseed is a non-profit law office dedicated to advocacy for low income people in South Carolina to effect systemic change by acting in and through the courts, legislature, administrative agencies, community and the media, and helping others do the same through education, training and co-counseling. For the past twenty-five years I have worked in the area of poverty law focusing my practice to the areas of consumer, healthcare and income supports. Through my work with SC Appleseed I have been a key participant in formulating state welfare and food stamp policy for the citizens who use these services in our state. In addition at SC Appleseed, we address predatory mortgage lending, payday lending, Medicaid, affordable housing, education, and immigrant issues. Our staff participates with a number of non-profits/service providers and works closely with many state agencies, including the one that administers the food and nutrition programs. Many state agencies and legislative committees request information and assistance from SC Appleseed staff because of their expertise in poverty, child, hunger, housing and consumer issues. SC Appleseed works to ensure that full representation is provided to the low income community through its advocacy and impact litigation work.

The rising cost of food, during this time of economic decline is adversely impacting all Americans as they are addressing the escalating costs of housing, energy and healthcare. Low income individuals and families are suffering the brunt of these additional food costs as their budgets are already overextended and they do not have resources to assist them. Income for basic needs such as housing, electricity, childcare and transportation is already stretched, making these families even more vulnerable to food insecurity. For

these households, young and old, the easiest personal line item to cut is often what is spent each month at the grocery store. This is done by reducing not just quality foods such as fresh produce and dairy, but also limiting the quantity of overall purchases.

In my home state of South Carolina our low income community is being dramatically impacted by our country's significant increase in food costs. Hunger and food insecurity is a tremendous problem for low income South Carolinians that has been exacerbated by the tremendous increase in food costs over the past year. According to the USDA, 14.7% of South Carolina's total population was considered to be "food insecure" (the share of people who experience food insecurity at least once during the year) and 5.9% experienced very low food security between 2004 and 2006. This means annually 632,000 South Carolinians experience a food shortage. This is a 1.2% increase from 2001-2003. South Carolina has moved from having the sixth highest rate of "food insecurity" to the third highest rate, and the second highest rate of very low food security in the entire nation.

While nationally it is reported that almost 16% of households with children were food insecure in 2006, we know this is much greater for families in South Carolina. Slightly over 22% of South Carolina's children are living below the federal poverty level and 45.7% (467,254) are very low income living at or below 200% of the federal poverty level. It is estimated that one out of every four children in South Carolina is going hungry or at risk of going hungry. As we see escalating prices in food costs, this very discouraging number will only increase, putting more of our state's children at risk.

All households are feeling the pressure on family budgets due to the increase in food prices; our low-income families are experiencing this financial strain to a much greater degree. A family of moderate income will spend less than 15% of their combined earnings for its total food purchases. A family living at or below poverty attempting to purchase groceries that will provide a nutritionally adequate diet will be forced to spend closer to one third of its income. These are the families who are forced to spend the greatest percentage of their income on food, but have no money in their family to draw upon when there is a rapid increase in the cost. All of this family's money is allocated for basic bills that if go unpaid can result in the loss of the home, utilities or ability to get to and from work. These are the families who are forced to make choices of purchasing cheaper less nutritionally sound food, or even worse, miss entire meals.

This is the reality many families in South Carolina currently face. In the last year the price of food has increased over 5%. USDA reports that the cost of a bare-bones grocery bill for a family of 4 that meets minimal nutrition standards or the "Thrifty Food Plan" is an 8.5% increase from June 2007 to June 2008. That's a \$46 monthly increase.

While there is a perception that the cost of living in South Carolina is not very high, low wage workers living on the most reserved budget are unable to make ends meet. I have attached two monthly family expenditure budgets to my testimony. The first, (Exhibit #1) is a modest budget for a single parent supporting two children; the other (Exhibit #2) is for a two parent family with one child. These budgets include only the basic needs of

shelter, food, childcare, utilities and transportation. I have included within each document information as to the amount of income the family would need to earn to be considered at or below 100%, 150%, 185% and 200% of the federal poverty level. These budgets demonstrate that these low income families for the most part must outspend their income when addressing just basic needs. Of course some in poverty live in conditions that many of us would find unacceptable-substandard housing, too little food, no healthcare etc.

The amount of funds allocated in this budget for food is based on the USDA Thrifty Food Plan. **This is a very modest amount allocated for food costs.** It's very difficult for a family to manage a basic healthy diet on this amount. The other expenditures reflect actual costs of a family living in South Carolina. As the budgets demonstrate all of the single wage earner family are unable to afford to make ends meet under even this modest budget and would have to cut corners each month. Two-wage earner families do not do much better. Only families at or above 200% of poverty have enough income to meet all their basic needs and may have additional money each month to apply to food. The majority of these households, despite working full time, are unable to absorb the \$46.00 increase in food costs if they wish to purchase items under the TFP market basket.

In South Carolina a very limited number of families receive subsidies for housing costs, far more go without assistance and are required to use much of their family budget to cover just this cost. Utilities and transportation costs have increased over the past year with tremendous impact to families. Since South Carolina guarantees childcare assistance only for families who live at or below 65% of poverty many are forced to pay much more than they can afford. One of the ways that families manage to survive temporarily at these low incomes is by accumulating debt in order to make ends meet. I am seeing a huge increase in calls from low income consumers who are making desperate choices to meet their monthly bills. They are living on credit cards or even worse usurious payday loans (391% APR) or auto title loans (300% APR) that are sending them into a downward debt spiral that has resulted in the majority of their income going to maintain these debts. One elderly gentleman I recently represented was just slightly over eligibility for Food Stamps and used payday loans to "make ends meet". By the time he contacted me he was facing eviction, his utilities were being turned off and he had no food because this temporary stop gap had overtaken all of his income. I often talk to senior citizens or disabled individuals who are trying to decide whether to pay their rent or utility bill. Purchasing food seems to be the easiest item in their budget to give up. All of this translates into a family making cuts to the food budget, resulting in the purchase of less nutritious food or missing entire meals, sending them in a downward healthcare spiral.

The increased demand on our state's food banks and pantries has been tremendous. Many families who never turned to this service in the past are now monthly visitors. Our largest food bank has modified its distribution limitations from once every 90 days to once every thirty days. I personally participate in a community effort to open the Columbia, SC pantry one evening a month to accommodate working families that cannot come during the daytime. It was determined that the evening shift should take place at the end of the month as the household's food stamps will only last less than two weeks

and the family will be in need of supplemental food by the fourth week of the month. In an hour and a half we serve approximately 30 households, most of these are families that never needed to utilize this service in the past. This is in addition to the 110 households that were served earlier during the daytime hours. All of these households are informing us that they need this supplemental food because their food stamps do not purchase enough food for the month, they do not have enough income to purchase additional food and their wages are not stretching as far as they did in the past due to rising costs. It is absolutely heartbreaking to have parents apologizing for needing this assistance as if it is their fault their income will not cover their children's needs. There has been a 35% increase in the number of households utilizing the food bank over the last year. Of the households utilizing the food bank approximately 50% of these families were receiving food stamps and 5% receiving WIC and another 5% receiving assistance from Commodities Supplemental Food Program. One quarter of these participants are children and one third of these participants were over age 60. The food bank is now assisting with Food Stamp applications in an effort to connect household to this benefit.

While I am grateful for the assistance of the food banks, this service is supplemental to the Federal Nutrition programs. Food banks cannot fill the gap between the income families have to purchase food and what an adequate diet costs. The chasm is too wide, particularly in a year when food banks themselves are challenged by the rising cost of food and fuel.

My testimony will concentrate on Food Stamps and Women Infants and Children (WIC) programs. Both of these programs are critical to addressing hunger in our state. While I want to complement our state and local agencies that administer these programs for their efforts to enroll households in these programs, unfortunately not all those who are eligible are enrolled in these nutrition assistance efforts. South Carolina has enrolled approximately 68% of all food stamp eligible persons in the program. Participation rate among eligible working poor is slightly less at 64%. Approximately 12% of South Carolinians or one in eight individuals receive food stamps in South Carolina. Unfortunately there are hundreds of thousands of lower income South Carolinians who are unable to enroll in this program due to program limitations. These households do not even have the benefit of this program to help offset the high cost of food. Our WIC program has also seen tremendous growth. The average yearly case load has increased by 16,000 participants to over 124,000 in FY2008 compared to just over 108,000 in FY2005. Many counties have seen such a large increase in the demand for the program that applicants have to wait six weeks before they can be seen for an eligibility appointment.

The Food Stamp Program makes an enormous difference in the ability to purchase food for the working poor, unemployed, senior citizens and disabled. Unfortunately, program eligibility limits keep it from reaching so many who are in need. While families living at 200% of poverty are by anyone's definition low income and struggling to meet all necessities, these families are unable to access this important benefit. For those who are eligible, the current benefit amounts do not meet their needs, having been eroded over the last year. This needs to be corrected in our upcoming budget. The Food Stamp benefit

level needs to be fully indexed to permit the allotments to keep up with food inflation. The tremendous increase in food costs has greatly reduced the buying power of Food Stamps. Food Stamps in South Carolina purchase approximately \$1.05 per meal, per person as of 2007. With rising food costs over the past 12 months this benefit is purchasing even less. What was always a modest benefit package has eroded over the past few months with the spike in food costs. By June 2008, the cost of food had increased 8.5 percent since the previous June, yet food stamp benefits were \$46 a month below the cost of the Thrifty Food Plan for a family of four. The Thrifty Food Plan (TFP) serves as a national standard for a nutritious diet at a minimal cost and is used as the basis for food stamp allotments. Food items in the TFP market basket chosen based on the latest dietary recommendations, but the Plan serves as the basis for inflation adjustments to Food Stamp allotments. While there will be an adjustment to the benefit allotment in October of this year to reflect this increase, it is not enough. When the adjustment is made, it will be already four months out of date. In addition, it will not change over the next twelve months reflecting the increase in costs to these low income families. Congress can address this problem for the coming fiscal year by anticipating the food price inflation that will occur and acting to offset some of it so assistance to needy families and elderly individuals does not again fall short of what is needed to purchase a minimally adequate diet. Congress should consider increasing the food stamp benefit for FY 2009 from the benefit increase that is scheduled to take place in October 2008 to properly reflect the rise in food costs that will take place over the next year. This will ensure that the lag in food data prices is taken into account and that households will be provided sufficient resources to purchase nutritional food, despite the rising costs over the coming year.

I also urge you to ensure that the Women, Infants and Children (WIC) program is adequately funded in the next year. WIC provides Federal grants to States for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk and are at or below 185 percent of the federal poverty level. WIC is unique among federally administered programs in that it provides specific supplemental nutritious food and nutrition education to a specific target population as a short term intervention and adjunct to ongoing health care. The supplemental foods provided by the WIC program are designed to meet the participants enhanced dietary needs for specific nutrients during brief but critical periods of physiological development. WIC is sometimes incorrectly described as a welfare program because participants must be members of a low-income family. In fact, over 50% of the women and children on WIC are members of a family where one or both parents work outside the home.

Our state WIC agency has done a remarkable job making this program available to pregnant women and children in our state. The participation growth has been tremendous over the past three years. The average SC WIC caseload in FY 2008 is 124,888 participants. Most years, the SC WIC program serves over 50% of the infants born in the state. In June 2008, 37,443 infants were being served by WIC. In a state where we are on the bottom of the lists for child well-being and infant mortality, this is an important

program to help increase the quality of life for these families. Through outreach efforts more families are being enrolled and are having nutritional foods made available. With this huge increase in participation comes strain to the program. In recent conversations with the agency and potential beneficiaries, I have learned that it can sometimes take up to six weeks before an applicant can be seen. Six weeks of inadequate nutrition can have a huge impact on a developing fetus or young child. The only reason for this delay is high demand and lack of resources. In addition, the huge increase in food costs over the past year has had an impact on the budget as a whole. Food packages provided under WIC are becoming much more expensive. While the agency has not done so at this time, it may be forced to implement a priority system for who will be able to participate in WIC if the state does not receive increased funds. What will this mean for potential WIC applicants? Pregnant women will continue to be served, and most probably infants, but young children may not be able to access this important supplemental nutrition program. These are the same families that have lost buying power due to the diminished value of Food Stamps and are in great need. The children of South Carolina are our state's future. Hungry children or children being fed nutritionally inadequate meals cannot learn and can be faced with many more health challenges. This hurts all of our state, which is struggling to increase our economy, productivity and quality of workforce. It's critical that Congress provide sufficient funding for the WIC program for FY09 to ensure that all eligible women, infants and children receive the help they need from this vital program. Given that Congress will likely first provide FY09 funding via a continuing resolution, it's essential that the CR provide increased funding to WIC rather than wait for the regular appropriation. That might be months later and would most certainly mean that eligible women and children would be denied WIC, while the program waited for sufficient funding.

Low income families are feeling the impact of food prices far more dramatically than families with means. A moderate income household may choose to eat out of the home less often or pack a lunch for work. A low income household has very different choices available. It could mean not paying the light bill or rent. It may mean that your children are sent to less than quality daycare. An elderly individual may be living in 95 degree heat with no air conditioning or fan. A single mother with no health insurance may choose to ignore the lump in her breast, rather than have it examined early on. Or a low income parent working 60 hours a week because she has a disabled husband, is juggling 16 payday loans to keep from having her world come tumbling down. For many households it means purchasing food with little to no nutritional value because milk and produce have become impossible to afford. Children are being provided meals that are filling but do not provide them with all the essential food groups. Working households who are doing everything they can to make ends meet are coming to the food bank once a month because they just cannot afford to purchase the food they need. The rapid rises in food prices, which are predicted to continue over the next few years, are eroding the value of critical programs, especially Food Stamps and WIC. We must protect all of our citizens who are suffering from this economic downturn by helping them increase and maintain their purchasing power at the grocery store. The federal government has done so much to help eliminate severe malnutrition in our country, but we are far from solving the problem.

We still have a huge problem of food insecurity and hunger. It is our neighbor, our classmate and even our co-worker. We must act quickly to protect our citizens from the economic downturn and provide them the assistance they need.

Monthly Budget for Family of 3: One Wage Earner with Two Children Exhibit #1

Expense	Amount
Rent/Mortgage ¹	\$634.00
Power, Water and Sewer	\$225.00
Basic Phone ²	\$15.55
Cell Phone ³	\$29.99
Food ⁴	\$360.00
Transportation (car payment) ⁵	\$163.00
Gas ⁶	\$252.00
Maintenance for home and car ⁷	\$50.00
Car Insurance	\$75.00
Household Supplies ⁸	\$125.00
Child Care ⁹	\$670.00
Health Care ¹⁰	\$320.00
Clothing	\$40.00
FICA/Taxes ¹¹	\$200.00
Church	\$60.00
Total	\$3573.29

¹ This is an average rent for South Carolina for a two bedroom apartment. Market rent is higher in metropolitan/tourist areas and lower in rural areas.

² Basic phone does not include long distance or cell phone.

³ This is the lowest monthly rate plan offered by mobile phone service providers. The cost includes one line and does not take into account any additional charges.

⁴ All families are ineligible for food stamps as they are over the gross income level of 130% of poverty. Based on costs of \$125.00 per week.

⁵ Purchasing a 2002 Mazda Protégé for \$7,880.00. Car financed at 9.34% APR for 60 months.

⁶ This is to purchase 15 gallons of gasoline a week at \$3.91 a gallon.

⁷ General maintenance of brakes, oil, tune-ups, does include major repairs.

⁸ This includes diapers, cleaning supplies, paper supplies, laundry detergent and other necessities to maintain a household.

⁹ Based on information provided by SC Dept. of Social Services market survey

¹⁰ At 200% of poverty the child in the family is covered by the State Children's Health Insurance Plan (SCHIP). Family over 200% of poverty can not receive SCHIP for the child. The costs reflected cover health insurance s of parent and co-pays/out of pocket costs.

¹¹ All wage earners must pay FICA, Medicare, and sales tax. The amount is based on 150% of poverty. Deductions would be higher at 185% and 200%. Fed. Income tax will also be deducted, but not in chart.

Income

Gross monthly Income Family of Three at 150% of poverty: \$2,200.00 ¹²

Gross monthly Income Family of Three at 185% of poverty: \$2,714.00 ¹³

Gross monthly Income Family of Three at 200% of poverty: \$2,934.00 ¹⁴

Gross monthly Income Family of Three at 100% of poverty: \$1467.00

¹² To earn this amount the adult must earn approximately \$12.79 an hour and work 40 hours a week.

¹³ To earn this amount the adult must earn approximately \$15.78 an hour and work 40 hours a week.

¹⁴ To earn this amount the adult must earn \$17.06 an hour and work 40 hours a week.

(Exhibit #2)

Monthly Budget for Family of Three: Two Wage Earner Family with One Child

Expense	Amount
Rent/Mortgage ¹	\$634.00
Power, Water and Sewer	\$225.00
Basic Phone ²	\$15.55
Cell Phone ³	\$49.99
Food ⁴	\$528.75
Transportation (car payment) ⁵	\$163.00
Gas ⁶	\$252.00
Maintenance for home and car ⁷	\$50.00
Car Insurance	\$75.00
Household Supplies ⁸	\$125.00
Child Care ⁹	\$333.00
Health Care ¹⁰	\$100.00
Clothing	\$25.00
FICA/Taxes ¹¹	\$200.00
Church	\$60.00
Total	\$2,836.29

Income

Gross monthly Income Family of Three at 150% of poverty: \$2,200.00¹²
Gross monthly Income Family of Three at 185% of poverty: \$2,714.00¹³
Gross monthly Income Family of Three at 200% of poverty: \$2,934.00¹⁴
Gross monthly Income Family of Three at 100% of poverty: \$1,467.00

¹ This is an average rent for South Carolina for a two bedroom apartment. Market rent is higher in metropolitan/tourist areas and lower in rural areas.

² Basic phone does not include long distance or cell phone.

³ This is the lowest monthly rate family plan offered by mobile phone service providers. The cost includes two lines and does not take into account any additional charges.

⁴ Based on Thrifty Food Plan for Family of three.

⁵ Purchasing a 2002 Mazda Protégé for \$7,880.00. Car financed at 9.34% APR for 60 months.

⁶ This is to purchase 15 gallons of gasoline a week at \$3.91 a gallon.

⁷ General maintenance of brakes, oil, tune-ups, does include major repairs.

⁸ This includes diapers, cleaning supplies, paper supplies, laundry detergent and other necessities to maintain a household.

⁹ Based on information provided by SC Dept. of Social Services market survey

¹⁰ At 200% of poverty the child in the family is covered by State Children's Health Insurance Plan. Family over 200% of poverty can not receive SCHIP for the child. The costs reflected cover health care needs of parents only. Would go up if included child. health insurance.

¹¹ All wage earners must pay FICA, Medicare, and sales tax. The amount is based on 150% of poverty. Deductions would be higher at 185% and 200%. Fed. Income tax will also be deducted, but not in chart.

¹² To earn this amount both adults must earn \$6.40 an hour and work 40 hours a week.

¹³ To earn this amount both adults must earn \$7.89 an hour and work 40 hours a week.

¹⁴ To earn this amount both adults must earn \$8.53 an hour and work 40 hours a week.