

# **Wireless Card Services:**

## **Supporting SNAP (Food Stamp), WIC and Senior Farmers Market Nutrition Programs**

**Farmers' Market**

**EBT  
Program**



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## Wireless Card Services:

### Supporting SNAP, WIC and Senior Farm Market Nutrition Programs

#### Introduction<sup>1</sup>

This Report, prepared for the Kresge Foundation of Troy, Michigan, analyzes wireless card service programs benefiting SNAP (food stamp) clients. The Report also reviews farmers or farm direct marketing venues that have explored or are exploring access to SNAP<sup>2</sup> electronic benefits transfer (EBT) cards. Finally, the Report analyzes the benefits and costs of expanding access with wireless card readers to rewards cards, credit cards and debit card installations at farmers markets.

The purpose of this initial exploratory analysis is:

(1) to review options to integrate the wireless card service program in a cost-effective manner and

(2) to promote the SNAP, WIC, FMNP<sup>3</sup> and Senior FMNP<sup>4</sup> programs through less traditional community outreach at farmers markets.

The Report also analyzes nutrition incentive “double voucher” matching dollars programs that encourage SNAP, WIC and Senior shoppers to purchase fruits and vegetables for their families.

The Report explores the various options for purchasing agreements with credit card providers and compares their installation and annualized running costs. These costs vary widely and often are not transparent. Current wireless card service installation and running cost models suggest that a one-size-fits-all program is not appropriate, given the variety and size of farm direct marketing venues.

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<sup>2</sup> SNAP (Supplemental Nutrition Assistance Program), formerly the USDA Food Stamp program.

<sup>3</sup> WIC FMNP (Women, Infant and Children Farmers Market Nutrition Program)

<sup>4</sup> Senior FMNP (Senior Farmers Market Nutrition Program)

Financially, different revenue opportunities and cost challenges exist at every retail point of sale. These fixed and variable cost “nuances” need to be understood and considered early on in the planning of the card service program in ensure a financially sustainable program. While the Report’s focus is on farmers markets, a number of insights can be shared cross-over to farm stands, produce mobile green carts/market vans and community sustainable agriculture (CSA) farms.

In planning for a successful wireless card service program, a useful community-organizing framework is the 4 P’s model. The 4 P’s model stands for **Partnership, Program, Policy, and Promotion**. If an organization develops each of these 4 P’s simultaneously, its chances for creating a long-term a sustainable program improve substantially. This report will highlight the 4 P’s.

## Summary and Conclusions

More farmers markets are installing wireless card services. Farmers market managers and their Boards of Directors want to:

- (1) provide additional retail access to low income families,
- (2) provide additional revenue for farmers by capturing federal food assistance dollars,
- (3) provide fresh fruits and vegetables to neighborhoods, both urban and rural, with limited availability of locally grown produce and
- 4) provide customers the option to shop with debit and/or credit cards.

The federal USDA SNAP is the largest federally funded food assistance program, which serves food insecure families. In 2009, the program is providing over \$40 billion in annual benefits to some 32.5 million clients. In the late 1990’s the government implemented the EBT program. This program acts like a debit card but “reloads” entitled benefit dollars into the SNAP clients’ accounts at the start of each payment period. EBT cards are becoming more prevalent in federal income support programs, with some states, such as Texas, using them for the expanding WIC programs.

When the food stamp program’s fixed site EBT capability was originally implemented, wireless card service technology did not exist. Consequently, farmers lost the ability capture SNAP dollars, because most farmers markets were on temporary sites with no power or telephone lines. Over the past five years, wireless machines have become reliable and lower in price. They now range from \$800 to \$1000.



Many federal and local government agencies, as well as foundation and farmers markets association grants (Wholesome Wave, Humpty Dumpty, Iowa Farm Bureau, Kellogg/Project for Public Spaces), have helped farmers and farmers markets with this upfront cost. Looking forward, the 2008 Farm bill includes additional EBT funding. (\$2.5 million in AMS Farmers Market Promotion over the FY 2008-12 and \$20 million in Section 4141 for SNAP pilot programs for a Healthy Food Incentive program in fiscal year 2009-10.)

Utilization of card services has increased farmers' sales, especially where credit and debit access is contracted, with some markets showing substantial increases. However, to date, SNAP sales at farmers markets have been mixed, depending on the location of the market, availability of fresh produce and demographics of the neighborhood. Preliminary analysis indicates that there are some real and perceived farm direct shopping barriers for SNAP farmers markets shoppers. Focused educational outreach and "incentive" programs for SNAP shoppers and farmers may be necessary in the initial start up EBT period for markets to increase SNAP shoppers' on-going and sustained participation.

Often the outreach requires less traditional marketing strategies. Most EBT food stamp successful programs involve **partnerships** with community organizations that service SNAP and WIC clients. In addition, participating farmers and farmers market managers need to improve their understanding of these real and perceived barriers so the markets and their farmer-suppliers can make it easier for SNAP shoppers to purchase from them. The community partners can collectively create an educational **promotion** campaign that builds the relationship between the SNAP shoppers and farmers.

One promising outreach program is the matching dollars incentive "double vouchers" for SNAP shoppers. Through various public and private funding sources, SNAP shoppers can receive additional nutritional incentive dollars when they shop at farmers markets, making the price of produce more affordable.

Data has confirmed that a farmer's increase in sales closely tracks the addition of a card reader offering clients SNAP, debit and credit card services. SNAP dollars traditionally comprise approximately six to eight percent of total card services. However, the cost of the card services is not determined by sales, but rather the number of transactions. Limited data to date shows that the costs of using credit cards, especially reward credit cards, are less predictable and more expensive than cash transactions, requiring a higher

volume of sales and/or additional revenue streams. SNAP and debit card service reader capability at a farmers market or a farmers booth at a market has a more predictable transaction cost structure.

In addition, debit transactions can gather card service revenue from non-SNAP shoppers through a “convenience fee.” (similar to an ATM fee). Credit card (companies?) are legally restricted from collecting this revenue, which has put the cost burden more on the farmers through collecting a percentage of card service sales (not % on cash sales). Markets need to assess their variable and fixed operating costs as they relate to SNAP, debit, and credit cards and match them with a variety of revenue sources. Farmers markets can stair-step the integration of the card service program (SNAP Only to SNAP Debit, to SNAP/Debit/Credit.) to fit the size of the market’s card sales and the market’s capacity to administer the program.



**Conclusions** For farmers markets considering installation of wireless or fixed electronic benefit equipment, there are several program options. Suzanne Briggs, who educates farmers markets across the country on how to implement card services, outlines three stair-step options. Wireless card reading systems vary widely and the technology is evolving rapidly, with many alternatives for both farmers markets and farmers at markets. Each option has a different cost and revenue profile:

- 1) **SNAP EBT Only Wireless Programs:** A program that serves only SNAP shoppers. Costs are predictable, and inexpensive. Sponsorships can easily cover the cost of program. In the initial year or two, evaluations indicate a limited sales increase during the start up period for farmers.
- 2) **SNAP EBT and Debit Card Wireless Programs:** A program that serves SNAP shoppers and non-SNAP shoppers with debit cards. Operating costs are predictable. A revenue mix between convenience fees and percentage of farmer’s card service sales is possible. Debit sales substantially exceed SNAP sales, creating greater market revenue for farmers

3). **SNAP EBT, Debit and Credit Card Wireless Program.**<sup>5</sup> A program that serves SNAP shoppers and non-SNAP shoppers with debit and credit cards. The mix of debit and credit card sales creates less predictability in program cost. Costs become much more complex. Different types of credit cards also have a higher variable transaction rate (example bankcard vs rewards card vs corporation card). The market legally cannot charge a convenience fee with credit cards.

## **I. USDA Farm Direct Nutrition Incentives Programs**

USDA has two goals associated with providing wireless card services in farmers markets:

- 1) Increasing farmers market vendor revenues, and
- 2) Encouraging/enabling SNAP, WIC and Senior recipients to purchase fresh fruits and vegetables as well as other products in the market, including vegetable plant starts.

To support these goals, Congress provided a number of supporting programs, most within USDA, but some in other Federal Departments such as HHS and EPA in support of farmers markets.

### **Women, Infant and Children (WIC) and Senior Farmer Market Nutrition Program**

In 1992 under the Child Nutrition Act, Congress created the WIC Farmers Market Nutrition Program (WIC FMNP) for pregnant women, breastfeeding women, non breastfeeding postpartum women, infants and children. The WIC FMNP program is available to WIC clients that participate in nutritional education classes where they receive coupons to shop for fruits and vegetables and herbs at farmers markets and farm stands. Through 46 state agencies including District of Columbia, each WIC FMNP participant receives \$10 to \$30 in federal FMNP benefits per year.<sup>6</sup>

The WIC FMNP coupon benefits program expanded in to seniors in 2000 with the adoption of the Senior Farmers Market Nutrition Program (SFMNP). With this program,

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<sup>5</sup> **A note on card service cost:** Some grants have funded machines for individual farmers. An individual farmer's sales need to be much higher to cover individual fixed card service operating costs, than if they were part of a multiple farmers market card service market, where the fixed costs are spread among many more farmers, who in turn can charge a debit convenience fee. A farmer's only revenue choice to cover costs is to increase the price of his or her product. Farmers market prices are often quoted as one of the challenges for SNAP shoppers. With that said, if individual farmers are participating in multiple markets, have a farm stand or are subsidized by other resources, they may benefit to have their own machine.

<sup>6</sup> <http://www.fns.usda.gov/wic/WIC-FMNP-Fact-Sheet.pdf>

SFMNP participants receive between \$20 and \$50 each year which could be spent at farmers markets, roadside stands and community supported agriculture (CSA) programs. In fiscal year 2007, SFMNP operated in 35 states.<sup>7</sup> According to USDA, in FY 2005, the SFMNP operated at 2,663 farmers' markets, 2,001 roadside stands, and 237 CSAs. The SFMNP became a permanent program with the passage of the 2002 Farm Bill (P.L. 107-171, Sec. 10605).

Within the 2008 Farm Bill, the USDA FMNP will provide \$33 million over the FY 2008 to FY 2012 period. A provision is included that a minimum of \$500,000 will be allocated annually to support establishing EBT systems at farmers markets under a competitive grant program. According to USDA materials, only a few states have implemented or piloted WIC EBT. Other states are very interested and watching developments closely.



Both the WIC FMNP and SFMNP federal programs require budget allocations each year. Funding for these programs is not mandated, as it is for SNAP. Consequently, the funding is vulnerable to the budget and political environment. In addition, these annual coupons programs provide very limited dollars compared with the necessary purchasing power needed to enable low income Americans to maintain a healthy diet as described in the US Dietary Guidelines. These guidelines recommend 5 to 9 fruits and vegetables each day. Lack of fruits and vegetables in American diets is one of the factors to the current skyrocketing increases of obesity and diabetes, especially in children.

The limited dollars also have a lower income impact on farmers at farmers markets. Not only are the dollars capped each year, the qualified product offerings are narrowly defined to fresh fruits, vegetables and herbs. For farmers, the SNAP EBT program creates a much more significant opportunity to increase retail sales for a wider variety of foods (baked goods, meats, dairy products increasingly available at farmers markets) and potentially increase in profits.

### **History of SNAP (Food Stamp)**

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[http://www.fns.usda.gov/oane/menu/Published/NutritionEducation/Files/fruit\\_veggie\\_report.pdf](http://www.fns.usda.gov/oane/menu/Published/NutritionEducation/Files/fruit_veggie_report.pdf)

Early attempts to provide extra nutritional benefits for low income households originated in the New Deal era of the 1930's . However, it was not until the early 1970s that Congress enacted a national program. The Food Stamp Act of 1977 (P.L. 95-113, 91 Stat. 913-1045 [7 U.S.C. 2011 et seq.]) became the basis for all subsequent such legislation.

Under pressure to limit waste and fraud in the food stamp and other cash income support programs, Congress in the 1990s started pushing to include all such benefits in the form of EBT "smart" cards rather than paper vouchers or coupons.

By 1999, more than half of the country had already switched to the new EBT card. The 2008 Farm Bill [P.L. 110-246, Title IV] completed the process by doing away with the name "food stamps" and re-naming the program "supplemental nutrition assistance program" (SNAP). Under section 4115 of the act, food stamps coupons and similar paper certificates are eliminated effective June 2009. Only EBT cards will be eligible for payment. This development effectively confirms what has been taking place already.

SNAP EBT (Electronic Benefit Transfer) cards are debit cards bearing the value of food or cash in federal program benefits. At the first of the month, SNAP qualified participants get their SNAP debit account "reloaded" with their allotted dollars.

According to the USDA, approximately 32 million low income Americans use SNAP benefits each month, with children making up about half of the recipients.<sup>8</sup> With the conversion of benefits from paper coupons to EBT, millions of food stamp participants lost their ability to use their benefit dollars at many farmers markets.<sup>9</sup> Although farmers markets across the country are increasingly acquiring wireless card machines, the changes have occurred in only about 5 percent<sup>10</sup> of the more than 4,685 farmers markets nationwide.<sup>11</sup>

### **Nutrition Incentives in Farmers Markets**

To encourage greater access to and consumption of fresh fruits and vegetables among low income Americans, the USDA created nutrition incentives programs to supplement

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<sup>8</sup> See *Leading the Fight Against Hunger: Federal Nutrition Assistance*, USDA FNS, June 2008, available at <http://www.fns.usda.gov/fncs/hunger.pdf>; USDA SNAP website at <http://www.fns.usda.gov/fsp/>.

<sup>9</sup> Farmers Market Coalition position paper, available at [http://www.farmersmarketcoalition.org/wp-content/uploads/2008/02/fmc\\_policypaper2007.pdf](http://www.farmersmarketcoalition.org/wp-content/uploads/2008/02/fmc_policypaper2007.pdf)

<sup>10</sup> <http://current.pic.tv/2008/08/06/farmers-markets-accept-food-stamps-who-knew/>

<sup>11</sup> USDA Agricultural Marketing Service page, available at: <http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateC&navID=FarmersMarkets&rightNav1=FarmersMarkets&topNav=&leftNav=WholesaleandFarmersMarkets&page=WFMFarmersMarketsHome&description=Farmers%20Markets&acct=frmrdirnkt>

SNAP benefits and provide greater purchasing power at farmers markets. With over 4,685 farmers markets across the United States, these programs provide an opportunity to connect consumers with fresh, local produce and to provide farmers with additional revenue.<sup>12</sup>

To help make produce at farmers markets more affordable to low income populations, around a dozen pilot incentive programs provided matching or bonus funds for SNAP EBT, WIC FMNP, and SFMNP dollars used at farmers markets. Although varying to some degree, the programs essentially provide SNAP EBT, WIC FMNP, and SFMNP participants who shop at farmers markets with extra cash (in the form of tokens or paper coupons).

Modest funding by foundations,<sup>13</sup> local government,<sup>14</sup> and other entities,<sup>15</sup> provided matching funds. Different entities such as non-profit organizations, local government, or the markets themselves manage the matching dollar funds. Early evidence<sup>16</sup> shows these programs to be successful at attracting low-income customers to farmers markets, getting low-income customers into the routine of shopping at farmers markets, and increasing sales for farmers market produce vendors.

## **II. Wireless Card Services: The Challenge of Matching Cost and Revenues**

When the card services programs are well planned with supporting partners, they can see both their SNAP, debit and credit sales grow. Where many farmers markets' regular shoppers rarely bought over the \$20 in cash to a typical farmers market, those farmer markets providing credit and debit wireless services along with rewards card services showed average sales rising to an average of \$25, \$30 or more in some markets.

At the Takoma Park Farmers Market in Maryland, installation of a wireless, token based credit and debit card reader increased sales \$40,000 in the first month of use for market

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<sup>12</sup> In 2006, the farmers' market directory listed 4,385 farmers markets operating in the United States. Source: United States Department of Agriculture. Agricultural Marketing Service. Accessed online at <http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateG&navID=WholesaleandFarmersMarkets&leftNav=WholesaleandFarmersMarkets&page=WFMFactsAboutFarmersMarkets&description=Facts%20About%20Farmers%20Markets&acct=frmrdirmt> on September 9, 2008.

<sup>13</sup> These include, the Wholesome Wave Foundation of Westport, CT, the Kellogg Foundation via Project for Public Spaces in New York and the Humpty Dumpty Institute in New York City.

<sup>14</sup> These include, Montgomery County, Maryland; New York Human Resources Administration; and the New York City Department of Health and Mental Hygiene.

<sup>15</sup> These include the Watermelon Board; the Food Project; and private donations.

<sup>16</sup> Because these pilot programs have been running for only 3 years or less, quantitative data is not yet available.

vendors. At other markets, vendors of higher value products (cheese, meats, flowers, baked goods et al) have seen significant increases in sales with the addition of a wireless credit/debit card reader.

But for the farmer or the farm market organization that manages the card service program, the measurement of success is not the increase sale but the determination of how markets manage their card service total costs. These costs are tied directly to the number of transactions per market day. In an interview in early April, 2009 with a farmer in a Washington DC farmers market, he reported his sales increased 30% with a wireless card reader for debit and credit, with his total monthly charges for wireless access, transaction fees and monthly paper reports averaging \$450, the majority of which was for the 1.7% charged against the value of his clients' credit card use.

Another farmer purchased a different "upload system for use at a Washington DC farmers market with a high portion of student customers using credit credits. This farmer, contracted with an "upload system" which stores the customers credit card purchase for later uploading over the internet once the farmer returned to his office. The machine, costing around \$250 and run by a car battery with an inverter, stores the customers credit card transaction, which is taken back to the farmers office and uploaded that evening or weekly. If the credit card customer defaults, the farmer is out the sale, though the card reader stores the defaulted credit card number, and if the dead beat customer uses the defaulting card a second week, the card reader machine rejects the card.

Market managers and board members need a transparent method to evaluate provider's bids to assure the market is comparing and contrasting all charges presented by card service provider. This methodology includes SNAP, debit, and credit cards.

Once costs are determined, the market needs to match these anticipated costs with a mix of revenue resources to determine its operating cost breakeven point. Revenue sources have included sponsorships, non-SNAP shopper convenience fees, percentage of farmers "card service only" sales and, early in the program, subsidies. Once the market exceeds its breakeven point, the market can apply additional income to marketing and labor.

The wireless card service machines and accompanying software is expensive – approximately \$800 to \$1,000 per machine. (See Annex 1) On-going monthly costs include per transaction costs and fixed monthly fees. The cost range for fixed cost is \$27 to \$45 per month. SNAP and debit per transaction costs amount to a flat fee (approximately \$.25 for SNAP and \$.40 - \$.55 for debit); for credit cards, it is a percentage of sales plus a flat fee.

Credit cards pricing is much more complex and unpredictable due to variable transaction percentages charged on different types of credit cards (for example bank card, rewards card, corporate card). Customer service and quality equipment must be considered equal factors to transaction and fixed cost when choosing a card service provider.

For farmers markets considering installation of wireless or fixed card service equipment, there are several program options. Suzanne Briggs, who educates farmers markets across the country on how to implement card services, outlines three stair-step options. Each option has a different operating cost (not including labor) and revenue profile

1). **SNAP EBT Only Wireless Programs:** This program serves only SNAP shoppers. Costs are predictable, and inexpensive. Sponsorships can easily cover the cost of the program. Sales are limited for farmers.

2) **SNAP EBT and Debit Card Wireless Programs:** This program serves SNAP shoppers and non-SNAP shoppers with debit cards. Operating costs are predictable. A revenue mix between convenience fees and percentage of farmer card service sales is possible. Debit sales substantially exceed SNAP sales, creating greater sales for farmers

3). **SNAP EBT, Debit and Credit Card Wireless Program.** This program serves SNAP shoppers and non-SNAP shoppers with debit and credit cards. The mix of debit and credit card sales creates less predictability in the operational cost. Costs become much more complex.

Farmers markets need to be mindful that a credit card arrangement (as opposed to a debit or SNAP contract) is not a direct bank transfer of funds, like SNAP and debit. There are stricter rules and less flexibility to generate revenue to pay for the additional charges. For instance, markets cannot charge convenience fees. Charging debit shoppers, but not credit card shoppers, a convenience fee would not be a good **policy**, which eliminates an important revenue source.

Unlike debit flat rate transaction fees, credit card transaction fees are percentage of sales plus flat fee. An example of why it is important to understand this difference is as follows: a debit transaction rate is \$.40 at \$20 or even \$40 token sale. That same purchase with a credit card will cost \$.72 for \$20 in tokens and \$1.13 for \$40 in tokens. (see Table 1)

**Table 1 – Debit versus Credit Card Charges**

Debit vs CC	\$10	\$20	\$30	\$40	\$100
Provider A Debit	.55	.55	.55	.55	.55
Provider A CC 2.39% +.22	.46	.70	.94	1.18	2.61
Provider B Debit	.55	.55	.55	.55	.55
Provider B CC 2.40% +.25	.49	.73	.97	1.21	2.65
Provider C Debit	.40	.40	.40	.40	.40

Provider C CC 2.02% +.32	.52	.72	.93	1.13	2.34
Provider D Debit	.55	.55	.55	.55	.55
Provider D CC 2.08% +.20	.41	.62	.82	1.03	2.28

Additional credit card costs are incurred with the different types of credit cards (qualified, mid-qualified and non-qualified). Each type of credit card, (rewards cards, credit cards, debit and SNAP cards) have an increase percentage charge plus a flat fee (example: bankcard vs. rewards card vs. corporation card).

For a farmer or farmers market vendor accepting credit cards, the variation in these different types of cards is not clearly marked as rewards card or corporate cards at the time of the transaction. Consequently, farmers markets cannot easily reconcile monthly statement fee charges with market's transaction records. Many markets do not have a sophisticated bookkeeping system to manage the complexity of these various types of credit cards. As shown in Table 2, the credit card transaction costs with percentage of sales can vary greatly.

**Table 2 - SNAP, Debit, Credit Card Transaction Costs**

Operating Cost	Provider A	Provider B	Provider C	Provider D
SNAP (EBT) Transaction	.20	.25	.10	.15
Debit Card Transaction	.25 + network charges Average \$.55	.23 + network charges Average \$.55	.40	.38 - .80
Qualified Credit Card (Bank Credit Card)	1.79% +.22	1.99% + .25	1.75% +.32	1.78% +.20
Mid Qualified Credit Card (Rewards Credit Card)	2.39% +.22	2.40% + .25	2.02% +.32	2.08% +.20
Non Qualified Credit Card (Corporate Credit Card)	3.09% +.22	3.25% +.25	4.50% +.32	3.55% + .20

For markets with lower card sales volumes, it is difficult to cover credit card transaction fees and fix costs. In large markets with very high numbers of credit card transactions, they too struggle to find the right cost and revenue mix. There is no economy of scale with working with tokens. Plus, as the farmers market celebrates higher average sales, the larger credit card transaction fees become a challenge as compared to the stable debit transaction fees.

If adding credit cards increases costs, then potentially the market's food prices would increase, as farmers are charged a percentage of their card service sales. These price increases will challenge the ability to capture SNAP dollars, as SNAP shoppers are very price conscious. Retail grocery stores can mark up their products to cover card service fees; it is not that easy to generate revenues to do card services in farmers markets where they are providing services with minimal profit margins.

Farmers markets are leaning towards forfeiting the credit card sales so they can manage a successful, sustainable and less costly debit/SNAP only card service program. At the Hollywood Farmers Market in Portland, Oregon, they offer only debit card and SNAP card services. This successful, medium size market with 4,500 customers a week tracked the number of credit card requests in 2008. The total credit card requests were 39 (2%) out a total of 1,673 debit transactions for the season. Even without credit card sales, the Hollywood Farmers Market did \$62,000 in debit sales and \$4,200 in SNAP sales.

Farmers markets do have the option to stair-step the program by starting with SNAP and debit card services. After systems are in place and sales grow, the market can then determine whether to add credit cards.

**A note on farmers acquiring wireless machines:** Some grants have funded wireless machines for farmers. Farmers' sales need to be much higher to cover individual, fixed operating costs, where those fixed costs can be spread over many more sales. In addition the farmers markets can also charge a debit convenience fee for each transaction, though individual farmers may not find such a movecustomer-friendly. Thus, the farmers' only revenue choice to cover card service costs is to increase the price of the product. With that said, if farmers are participating in multiple markets, have a farm stand or are subsidized by other resources, finally they may benefit to have their own machine.

### **Electronic Card Service Workshops**

Farmers markets that appear to be most successful in implementing a card service program have participated in an extensive training/education workshop, chosen a reputable provider who understands farmers markets, secured state agriculture and HHS support, and received start-up funding from public and private resources.

In recent such workshops, market managers and market board members determine what type of service to offer based on their market's mission, size, demographics and resource capacity. With this basic knowledge, market managers and board members decide how to customize a program for their market. A typical workshop session would include:

- 1) Demonstrating Card Services on Market Day
- 2) Choosing a Card Service Provider: Comparing Bids and Defining Revenue Resources
- 3) Follow the Money: Tracking Dollars through an Accounting System.
- 4) Community Outreach to SNAP Shoppers
- 5) Enhancing Sales with Nutrition Incentives in Farmers Markets.

After the workshop, some market managers and board members may decide that the card service program is not a good fit for their market. This decision is often due to their market and crowd size or because other work needs to be done to strengthen the market (such as board development). Making that decision upfront ensures against the farmers market having a false start and disappointing shoppers, farmers and, even more importantly, grantors.

## **III. Wireless Card Services: The Opportunities for Success**

Over the past five years, a significant number of USDA dollars have been allocated to support SNAP EBT. Through this funding, the markets have grown farmers sales by adding other card services to the wireless machines. The 2008 Farm Bill continues to support these program at \$500,000 per year through 2012.

On the state level, organizations such as the [Oregon Farmers' Market Association](#), Community Food Connections in Arizona, the [New York Federation of Farmers' Markets](#), and the [Ecology Center](#) in California have helped local farmers markets and farm stands implement sustainable card service programs through educational training support and other various assistance.



In comparison to the popular WIC FMNP and Senior FMNP programs, the SNAP dollars present much greater, mandatory funding and a much broader food purchasing options to support farmers markets. Under SNAP, shoppers can purchase not just fresh produce but also vegetable starts, honey, meats, dairy, and value-added agriculture products such as cheese, maple products, cider, jams, pickles and breads. This expanded product line increases revenue for an estimated 30,000 farmers and vendors selling at the estimated 4,685 farmers markets listed on USDA's web site for 2008.

Although some federal funds are available to assist farmers markets in the transition to wireless card services, these funds are insufficient. While there are some impressive case studies, overall the results have been spotty. The 2008 [USDA progress report](#) last updated in February gives a state-by-state assessment. Here are some examples:

- “Oregon currently has 18 farmers markets accepting SNAP benefits. 16 markets utilize a wireless POS terminal.” (According to Oregon Farmers Markets Association figures, there are over 90 farmers markets in the state.)
- “15 out of Arizona’s 53 farmers’ markets are currently authorized to accept SNAP benefits. Seven wireless terminals are operating at 13 of these markets....”
- “In 2007, Iowa had 173 farmers’ markets across the state. DHS had farmers using wireless POS’ in approximately 103 markets across the state.... [The Iowa Department of Human Services] has budgeted for a maximum of 167 wireless devices. DHS reimburses the farmers for the monthly wireless fee, statement fee, EBT transaction fees and the monthly minimum, if applicable. These are all costs

directly related to activating a wireless device for EBT. In 2007, total project costs were \$378,004 including \$268,562 of outreach costs.”

- “The City of Bloomington [Indiana] Community Farmers Market was the only Indiana farmers’ market operating under the [SNAP] demonstration project this year.... A large market with approximately 140 vendors, it had almost \$300 in monthly redemptions. 2007 was its first year of operation in SNAP.” (A [December 20, 2008 directory](#) listed 57 farmers markets in the state)
- “The Commonwealth of Pennsylvania did not continue its wireless POS demonstration project in 2007.”

### **EBT and “Market Incentives” at the Crossroads Farmers Market – Takoma Park, Maryland.**

In 2007, Crossroads Farmers Market in Takoma Park, Maryland was the first year of the market and one of the first Maryland farmers market wireless card service programs. This card service program was possible through a Kellogg/Project for Public Spaces competitive grant.

As part of this grant, the founder of the market, the late John Hyde (1945-2009) introduced the double voucher “health bucks” system to encourage SNAP shoppers to purchase fresh fruits and vegetables at the market. Market founder John Hyde and his colleagues researched card service providers and decided to purchase card service provider E-Funds’ Verifone wireless machine (cost \$1,000).

Due to the price of the machine and cost of transactions, the market organizers created a central transaction booth in the market where they sold wooden tokens to SNAP and non-SNAP shoppers. The shoppers bought the produce with the tokens and the farmers market reimbursed the farmers for the tokens. The Kellogg/Project for Public Spaces grant and sponsorship from of the National Watermelon Association, covered the transaction fees and the provision for the “double voucher” incentive payments for SNAP and WIC clients.

## **III. A Closer Look at Funding Wireless Card Services to Support EBT**

Suzanne Briggs writes that “the most important reason that farmers markets should offer wireless card services is to service bank debit cards (and credit cards, with great reservations) because their use generates significant additional sales for farmers. If the farmers markets do the debit/credit program well, the market will also succeed at providing a food access point for SNAP shoppers if they see the market as a viable food access option.”

There are many examples of how public and private organizations have contributed funds to supplement or lower operational cost. Here is just one example.

### **Iowa**

The Iowa Department of Human Services (DHS), (Division of Financial, Health and Work Supports) confirmed<sup>17</sup> that the Iowa Department of Human Services' EBT Wireless program at farmers markets routinely uses SNAP administrative funds for its operation. The Department considers their program fully compliant with federal regs ([7 CFR 274.12](#)).

Using SNAP administrative funds, Iowa DHS purchased 50 wireless machines in 2006 and has an arrangement with the card service provider for additional machines on a free or rental basis depending upon level of use. Because the machines can also process conventional credit cards, Iowa DHS reimburses users from SNAP administration funds for SNAP transaction fees only.

## **IV. Barriers for Farmers Market SNAP Shoppers.**

In 2005 the Oregon Food Bank commissioned New Territories Research to investigate food stamp clients' perceptions of farmers' markets in Portland, Oregon. Funded by Kaiser Permanente, the findings were meant to help market organizers, local government agencies and community health groups promote improved access to local foods for food stamp clients through newly established EBT programs at farmers markets. The title of the report was *Barriers to Using Urban Farmers' Markets: An Investigation of Food Stamp Clients' Perceptions*.<sup>18</sup>

An observer working with wireless card services in farmers markets in Oregon and other states from 2004 to 2008 commented that the "sales data indicates that the SNAP sales are less significant to increasing farmers sales when compared to debit and credit cards."

The number of SNAP shoppers is low due to a variety of reasons: price, inconvenient hours, complex shopping experiences and limited discount opportunities. These reasons vary depending on where the market is located, demographics, availability of grocery stores and transportation access.

Unlike the WIC FMNP and Senior FMNP programs where coupons can only be used at farmers markets, SNAP debit cards are accepted in most retail food outlets.

Consequently, farmers markets need to create a focus marketing plan and outreach to SNAP shoppers so SNAP dollars are captured in farmers markets.

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<sup>17</sup> Telephone Conversation with George Krumbhaar, March 2009

<sup>18</sup> *Barriers to Using Urban Farmers' Markets: An Investigation of Food Stamp Clients' Perceptions*.

<http://www.oregonfarmersmarkets.org/cust/BarrierstoUsingFarmersMarkets2-01-08.pdf>

The first step is to set up a sustainable EBT system at farmers markets being mindful to minimize the cost to the farmers market. There is a tradeoff of capturing all possible card service sales (including credit cards) and managing cost for the farmers market organization. Though grants are very useful to build the market's capacity to provide card services, revenues to support the program long-term need to be instigated from the beginning.

Some markets may always need subsidies. To secure funding, they need to demonstrate as well that they have a strategic plan that includes building partnerships, program design, developing supportive organizational policies, and a strong educational promotion campaign to connect SNAP shoppers with market farmers.

Through the educational promotion campaign, the farmers market and their partners need to address the barriers for SNAP shoppers to participate in farmers market. The most challenging one is farmers markets food prices. Whether the farmers market prices are high or competitive, the predominate image of farmers markets is that they are expensive. The answer in most cases is not to ask farmers to lower their prices. Most farmers are selling in farmers markets to supplement their income; many are just breaking even or making small profit margins.

## **V. Electronic Benefit Systems and USDA's WIC Program.**

Currently, the 7 million women and children are receiving \$6.6 billion in WIC benefits for nutritious foods exchange "voucher checks" at supermarkets and, in some states such as California and Florida, WIC-only retail stores. After exchange at a retail food store for the specified products listed on the checks, the "voucher checks" are then deposited in the stores bank account, similarly to any bank check written by a customer.

The WIC "voucher check" lists on the front of the check the specific foods approved by the WIC case officer for that nursing or pregnant mother with separate "specified foods" listed on "voucher checks" for her children up to 5 years with WIC approved benefits. The Supplemental Food Program for Women Infants and Children (WIC) is beginning the process of rolling out the new food package that includes fresh fruits and vegetables, whole grains, soy milk, tofu and other food products.

USDA has charged each state WIC agency with developing an implementing new rules for retailers and farmers markets to accept these new vouchers by October 1, 2009. The new rules also provide an option to include farmers markets. This would permit WIC clients to use their new, regular vouchers as well as the Farmers Market Nutrition Program vouchers in markets.

The monthly fruit and vegetable benefits are \$6 for children, \$8 for women, and \$10 for pregnant or breastfeeding women.

State WIC agencies such as Michigan<sup>19</sup> also have the option to decide whether organic products, other than fruits and vegetables which have already been approved at the national level, will be permitted in the program.

In addition, USDA's WIC program at the Food and Nutrition service received a further \$100 million in stimulus package money to help offset state administrative costs, including the option of spending some of the funds for electronic benefit transfer (EBT) systems.

### **B. EBT and WIC Pilot Programs.**

To implement the new WIC fruit and vegetable voucher program, starting in 2009, WIC state offices will be issuing fruit and vegetable "voucher checks" with specified monthly monetary amounts: \$10 and \$8 per month for pregnant and nursing mothers and \$6 per month for children 2-5 years. Fresh, canned and frozen fruits and vegetables can be then purchased with these vouchers and payment received up to the cash value on the new "fruit and vegetable" WIC vouchers.

This system will be very similar to the current operations of the existing WIC farmers market nutrition program where vouchers with values up to \$20 -\$30 annually are distributed to WIC mothers for exchange only at local farmers markets and roadside stands.

**WIC and EBT Pilot Programs.** (See Annex 2 for further details) Pilot programs are currently underway in several states to convert the existing WIC voucher check system into an electronic card reader debit system. In Texas, the Department of State Health Services (DSHS) started pilot programs in El Paso and Grayson County in 2005, with the intent of state wide rollout to expand the EBT smart card system in the near future. The intent is to convert from a paper "check" system to a paperless system.

**Electronic Card Reader System Selection, Installation, Certification, and Reimbursement** Statewide implementation is planned in phases. Officials are encouraging all Texas grocers to start the conversion process to electronic card reader systems.

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<sup>19</sup> In Michigan, the contact for the WIC State Office is: Stan Bien, Director WIC Division Michigan Dept. of Community Health Lewis Cass Building 320 S. Walnut St., 6th Floor Lansing, MI 48913

1-800-942-1636

voice: (517) 335-8951

fax: (517) 335-8835

email: MichiganWIC@michigan.gov

website: <http://www.michigan.gov/wic>

State Health Services in Texas indicated that “... any WIC authorized grocer in the State of Texas may upgrade their electronic cash register (ECR) system to accept the Texas WIC EBT card or replace the system and receive reimbursement from the State for all or part of the costs. Grocers must meet rollout deadlines for their area, but they can also gain a competitive edge by installing the system before the rollout reaches their area. Having an EBT system installed will allow grocers in areas that the rollout hasn’t reached to accept traveling WIC clients with EBT cards. Every WIC authorized grocer must install/upgrade and operate a WIC EBT Certified ECR system.”

### **Matching Dollars - Nutrition Incentives In Farmers Markets**

In October 2008, Rachel Winch wrote a promising research document titled *Nutrition Incentives in Farmers’ Markets: Bring Fresh, Healthy, Local Foods within Reach*<sup>20</sup>. This document compiled seven pilot incentive programs that used private and public funding to match SNAP, WIC FMNP and Senior FMNP dollars spent in farmer markets.

The following farmers markets operated “SNAP and WIC Incentive” programs in 2008

1. [Crossroads Farmers Market: Takoma Park, Maryland](#)
2. [New York City Department of Health and Mental Hygiene’s “Health Bucks” Program](#)
3. [Farmers Market Federation of New York Fresh Checks Program](#)
4. [Lynn Farmers’ Market with The Food Project: Lynn, Massachusetts](#)
5. [Holyoke Farmers’ Market in conjunction with the Wholesome Wave Foundation and local non-profit Nuestras Raices: Holyoke, MA;](#)
6. [City of Boston farmers’ markets with The Food Project: Boston, Massachusetts;](#)
7. [City Heights Farmers Market: San Diego, CA](#)

Funding for these SNAP and WIC “incentive” programs was provided largely by non-profits, foundations, county farm bureaus, and city/county health departments and other local government agencies. Here are examples of organizations who have sponsored farmers market in the past year.: Wholesome Wave Foundation of Westport, CT; the Kellogg Foundation via Project for Public Spaces in New York; the Humpty Dumpty Institute in New York City; Montgomery County, Maryland; the New York City Department of Health and Mental Hygiene; and the National Watermelon Board.

Incentive programs targeting SNAP recipients are subject to United States Department of Agriculture (USDA) regulations. One such regulation at 7 CFR 278.2 (b) specifies that

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<sup>20</sup> [http://www.farmersmarketcoalition.org/wp-content/uploads//2008/12/ebt\\_matching\\_programs\\_rachel\\_winch.pdf](http://www.farmersmarketcoalition.org/wp-content/uploads//2008/12/ebt_matching_programs_rachel_winch.pdf)

“No retail food store may single out coupon users for special treatment in any way.”<sup>21</sup> While this regulation exists to protect SNAP users against discrimination and stigmatization, it also applies to farmers markets piloting incentive bonus dollars programs such as “Fresh Checks” or “Health Bucks.”

USDA FNS has the capacity to approve programs that do not meet regulations as “demonstration projects.” Using this allowance, the Food and Nutrition Service at USDA has been approving individual waiver applications to operate these programs as “pilot studies.” In coming years, this regulation may be amended to allow such programs to operate without a waiver.

These incentive **programs** are still in their infancy, with most starting in 2008. Most farmers markets with incentive nutrition programs report success in drawing more low income people to the farmers market and bringing fresh, healthy, local food into the price range where it is affordable for people on a tight budget. The success of these programs for promoting healthy eating habits is further supported by the Government Accountability Office’s July 2008 report, which found that financial incentive programs for people with low-incomes to purchase targeted foods are effective in achieving short-term goals of increased purchases and consumption of target foods and/or weight loss of program participants.<sup>22</sup>

The matching dollar incentive programs are a win-win for the SNAP shoppers who can purchase more healthy food and for the farmers who can maintain their prices and capture more federally funded food assistance dollars. By doubling the buying power of SNAP shoppers, farmers markets become a more equitable opportunity for all stakeholders.

### **City Heights Farmers Markets**

In San Diego, the City Heights Farmers Market promoted access to the “incentive fruit and vegetable program” to encourage SNAP eligible persons to sign up for SNAP benefits, with considerable success in this underserved food stamp county. The organizers also opened the “incentive program” to Supplemental Security Income (SSI) recipients, with such an overwhelming response that organizers had to reduce the incentive from \$10/client per day to \$5/per client per visit. Image 1 below shows the very long lines of low income SSI clients visiting the market in response to the SSI incentive program.

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<sup>21</sup> Government Printing Office Access. Electronic Code of Federal Regulations. Agriculture: Regulations of the Department of Agriculture, Food and Nutrition Service. Food Stamp and Food Distribution Program. Part 278: Participation of Retail Food Stores, Wholesale Food Concerns, and Insured Financial Institutions. Accessed online at [http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title07/7cfr278\\_main\\_02.tpl](http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title07/7cfr278_main_02.tpl) on September 9, 2008.

<sup>22</sup> Government Accountability Office. *Food Stamp Program: Options for Delivering Financial Incentives to Participants for Purchasing Targeted Foods* (GAO-08-415). July 2008.



*Image 1: City Heights Farmers Market, San Diego, California August, 2008. SSI, SNAP and WIC clients waiting in line for Incentive Benefits.*

### **Other Wireless Card Services Fresh Produce Venues for SNAP Shoppers**

This document has focused mainly on farmers markets. However, not all communities have the capacity or the population to support farmers markets. In rural areas with limited numbers of farmers markets, produce mobile vans, farm stands and community supported agriculture are the resources for local, healthy fresh fruits and vegetables. Servicing the WIC and SNAP clients in these areas are often a challenge and wireless card services become even more important. In one case study the mobile produce vans are owned by the farmers markets organization so they can use the same wireless machine to serve two or more locations<sup>23</sup>

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<sup>23</sup> [www.gorgegrown.com/mobilemarket.cfm](http://www.gorgegrown.com/mobilemarket.cfm) (see Community Food Security Programs Improve Access, page 3(22) <http://www.ers.usda.gov/publications/FoodReview/Jan2001/FRV24I1d.pdf>) This is a model that Gorge Grown is experimenting with in Hood River, Oregon. <http://www.gorgegrown.com/mobilemarket.cfm>  
Garry Stephenson Farmers' Markets – Success, Failure, and Management Ecology, page 181, copyright 2008

## ANNEX 1

### Texas-WIC and Electronic Benefit Transaction Pilot Program

The Texas Department of State Health Services (DSHS) is busy planning the statewide rollout of the WIC EBT smart card. With the El Paso area and Grayson County already using the card, implementation in other parts of Texas will soon follow. DSHS will work with each area to assist in the transition from paper vouchers to paperless food delivery.

#### ECR System Selection, Installation, Certification, and Reimbursement

The State of Texas received federal approval for the statewide rollout of WIC EBT on September 16, 2005. While the official rollout is planned in phases, all Texas grocers are encouraged to start the conversion process for EBT. This means that any WIC authorized grocer in the State of Texas may upgrade their electronic cash register (ECR) system to accept the Texas WIC EBT card or replace the system and receive reimbursement from the State for all or part of the costs. Grocers must meet rollout deadlines for their area, but they can also gain a competitive edge by installing the system before the rollout reaches their area. Having an EBT system installed will allow grocers in areas that the rollout hasn't reached to accept traveling WIC clients with EBT cards. Every WIC authorized grocer must install/upgrade and operate a WIC EBT Certified ECR system. There are five important steps to becoming EBT ready:

- Select a WIC EBT Certified ECR System and notify the State.
- Get the EBT system installed.
- Attend cashier and manager training.
- Obtain Level III system Certification.
- Request reimbursement for the ECR system.

First, grocers must choose the WIC EBT Certified ECR system that is the "best fit" for their operations. There are currently several ECR systems that are WIC EBT Certified by the State of Texas. If a store's ECR software has already been modified by the State to accept the WIC EBT card, the grocer should contact its ECR manufacturer to obtain a free update to the ECR core software. Grocers currently operating without an ECR system or using an ECR system whose manufacturer and software version are not WIC Certified, should determine which WIC Certified ECR system is best for them. Grocers should consider the following questions: Do I want a multitender, integrated system that will be used for all of my transactions? Or, do I want a single-tender, stand beside system that will not interfere with my current in-store system and that will be used for WIC transactions only? What kind of reports do I want my system to generate? Do I want a basic system or a system with many bells and whistles? As soon as grocers have reviewed the systems available and made their selection, they need to notify the State.

Second, after selecting a system and notifying the State, the next step for grocers is to work with their system integrator to schedule installation of their new or upgraded system. The system integrators are busy

installing systems all over the State, so it is important to get on their schedule early, especially if rollout is coming soon to the area.

Third, after the EBT enabled ECR system is installed, store managers and staff must be trained to use it. System integrators are responsible for training; grocers must confirm that store personnel are trained in the use of the system. It is very important that as many cashiers as possible attend this training so that WIC transactions will go smoothly in the store. In addition to the training provided by system integrators, store managers are required to attend training in WIC EBT policy and procedures. A schedule of upcoming WIC manager training sessions can be found on page 1.

Fourth, once the system has been installed and store personnel have been trained, the system must be Level III Certified by the State. Generally, a WIC employee or other representative of the State will travel to the store and make a WIC food purchase using a WIC EBT card. The purpose of Level III Certification is to ensure the system is working properly in the lanes; it is a brief 15- 30-minute process that, if successful, results in the store receiving an electronic payment from the State.

Last, but not least, following Level III Certification, grocers can apply for reimbursement of their ECR system. In order to receive reimbursement, grocers must 1) submit a purchase agreement signed by both the grocer and the system integrator that accurately reflects all system components, including software; 2) submit a verification of training form signed by the grocer; 3) have attended state-mandated managers training; and 4) passed Level III Certification.

A grocer whose ECR system software has already been modified by the State to accept WIC EBT cards will receive the ECR software upgrade at no cost and up to \$200 per lane to upgrade front-end terminals to accept the WIC EBT smart card. The \$200 per lane is available for all lanes reported to the State where WIC participants traditionally purchase WIC foods.

Some grocers do not have an ECR system. Others have an ECR system whose software has not been modified by the State to accept WIC EBT cards. These grocers must select and purchase a new ECR system to continue to accept WIC. The amount of reimbursement will be based on a store's annualized monthly WIC food sales. Traditional grocers are entitled to reimbursement for equipping one to four store lanes; WIC Only stores are entitled to reimbursement for one to three lanes. The number of lanes for which grocers are reimbursed depends on their average monthly WIC food sales over the past 12 months. Reimbursement levels are determined by the Food Issuance and Redemption Services (FIRS) Unit. Grocers should contact FIRS to learn the number of WIC authorized lanes and the maximum reimbursement available, which excluding state sales tax will not exceed:

- \$11,000 for one lane.
- \$18,000 for two lanes.
- \$25,000 for three lanes.
- \$33,000 for four lanes.

The purchase of a commercial WIC EBT Certified ECR system entitles a store to site readiness, installation, and a 3-year warranty and maintenance, including help desk and on-site support. The 3-year period begins upon grocer acceptance. After 3 years, grocers are responsible for their own support and maintenance.

Grocers may, at their own cost, purchase additional equipment to equip all store lanes or upgrade certain hardware components. The minimum reported time between filing a reimbursement request and receiving payment is 6 weeks.

## Annex 2

### ***California Farmers' Market EBT Program***

The State of California's Farmers' Market Program started as a demonstration program in 2003 to support Electronic Benefit Transfer (EBT) in nontraditional markets, such as farmers' markets, produce stands, and similar open-air markets. The Farmers' Market Program is now implemented statewide, and current participation includes farmers' markets, individual produce stands, fish vendors, and flea markets. This successful program continues to grow in participation.

#### **Farmers' Markets**

Farmers' markets can be run by a variety of entities: cities, counties, nonprofit or for-profit businesses. Often, an organization is operating multiple farmers' markets with varying hours and locations.

#### **Scrip**

To participate in the Farmers' Market Program, markets are required to use a scrip system for food stamp transactions within the market. Scrip is a currency, in the form of paper or tokens (wooden or plastic), designed to be unique to each market, in denominations of \$.50 and/or \$1.00. Clients can use their EBT card to purchase scrip with food stamp benefits on their EBT cards from the market at a central location, and then use the scrip to purchase food stamp-eligible items from farmers at the market. At the end of the day, farmers are reimbursed by the market for the amount of scrip they received.

NOTE: A market must have its scrip approved by the California Department of Social Services (CDSS) before they can participate in the Farmers' Market Program. The specific requirements can be obtained by contacting the CDSS Farmers' Market Specialist at (916) 654-1421 or (916) 651-0674 to request a "scrip package."

#### **Transaction Process**

There are three possible ways for a farmers' market to process an EBT/scrip transaction: , Wired point-of-sale (POS) device , Wireless POS and Manual Vouchers

#### **Wired POS Device**

Standard wired POS devices are provided by the state and are available to all California retailers participating in the federal Food Stamp Program. A wired POS device requires an electrical outlet and an analog telephone line.

#### **Wireless POS Device**

A battery-operated version of the standard wired POS device, it does not require a telephone line or an electrical outlet. If a market does not have access to a telephone line and/or electrical outlet, the market may be issued a wireless device. Because a wireless device is more costly than a wired device, the deployment of a wireless device to a market must be approved by the CDSS.

#### **Manual Vouchers**

In lieu of a POS device, markets can use manual vouchers. A manual voucher is a small paper form completed by the market and the EBT cardholder. It includes the food stamp transaction amount, the market's name and Food and Nutrition Service (FNS) number, and the cardholder's name and EBT card number. The voucher is signed by both the market and the cardholder. The market's cashier calls a toll-free telephone number to verify the funds are available in the client's account and is given an authorization number, which is then written on the voucher. A hold is placed on the client's food stamp account for the amount of the transaction. The market has 15 calendar days to submit the voucher to J.P. Morgan Electronic Financial Services, Inc. (EBT Prime Contractor) for reimbursement, or the market can clear the voucher through a POS device.

## Annex 3

# Markets for All

### How innovative markets serve the needs of low-income customers

By Benjamin Fried (Project for Public Spaces, NYC, 2008)

#### Lynn, Massachusetts

A Thursday afternoon stroll through the Farmers Market in Lynn, Massachusetts, a city of 90,000 just north of Boston, offers a cornucopia of sights, scents, and sounds as well as tastes. You'll hear conversations between customers and vendors in Spanish and Khmer, and you'll see products that supermarkets seldom carry, like raw honey, corn leaves, and an astonishing variety of hot peppers.



A shopper enjoys the selection at the farmers market in Lynn, Massachusetts.

The market is a reflection of Lynn's growing immigrant population, which hails largely from agricultural countries like Cambodia, the Dominican Republic, and El Salvador.

"We have vendors who reflect the cultural mix of the community," said Melissa Dimond of the Food Project, the non-profit organization that manages the market. "It means there's not a language barrier. The market has a very friendly feel; everyone is able to talk to each other."

The mix of vendors at the Lynn market is one example of how today's market managers are strengthening their outreach to neighborhoods where healthy food is in short supply. Many of these innovators have used grants from PPS, supported by the W.K. Kellogg Foundation and the Ford Foundation, to experiment with new ideas and bold tactics. They are increasing the impact of markets as community institutions using three core

strategies: adapting to customers' cultural preferences, improving markets through Placemaking, and reducing the cost of shopping at the market.

In Lynn, a former industrial town that has seen substantial economic and demographic shifts in recent years, poverty and unemployment are at higher levels than in the rest of Massachusetts. About 7000 households receive food stamps, but until last year, hardly anyone redeemed them at the market.

"Even though we had signage all season," said Dimond, "people would come up and say they didn't know we accepted food stamps."

The Lynn Farmers Market responded by promoting the use of Electronic Balance Transfer (EBT), a form of food stamp distribution that works like a debit card. Customers swipe their EBT cards at the market and the price is deducted from their food stamp account. Last summer, Dimond and the Food Project launched a two-pronged strategy: adding a financial incentive for customers to pay using EBT, and marketing EBT at every opportunity.

The incentive, made possible by a small grant from a state-wide anti-hunger organization called Project Bread, gave customers one dollar of additional produce for every dollar they spent in EBT, up to \$5.00. For example, if a customer spent \$2.50 in EBT, they received \$2.50 in additional produce. If they spent \$10.00, they got \$5.00 of extra produce.



Customers get more mouth-watering produce when they pay with EBT.

"That type of promotion got the word of mouth going better than anything we'd tried before," said Dimond.

The next step was to make sure everyone knew about the EBT promotion. Instead of relying on signs or banners, Food Project volunteers informed every customer that EBT

was available, whether they were eligible to use it or not. That helped lessen any stigma associated with EBT, said Dimond.

"It got the word out, and it normalized EBT as a form of payment," she noted. "A lot more people got the message." As a result of the promotion, EBT sales grew steadily, eventually exceeding \$200 per week.

This summer, the Food Project offered the dollar-for-dollar incentive earlier in the season. When August rolled around, they stopped giving out extra produce with EBT purchases. The timing was by design, because it enabled the Food Project to see if the promotion's momentum would carry over once the financial incentive was off the table.

Sure enough, even without the lure of free produce, EBT sales have averaged \$150 per week, compared to \$35 per week at the start of the season. This year, the market's total EBT sales have already exceeded last year's tally, and there are still six weeks left in the season.



Customers are buying more produce at the market as a result of Placemaking improvements to the site.

The Food Project has complemented these outreach efforts with steady improvements to the market site, creating a livelier and more inviting venue. Once a plain vacant lot, the site has been resurfaced with pea stone and planted with flowering pear trees. The sidewalk has been repaired, and the local transit authority has fixed up the nearest bus stop.

"Each year that's gone by," Dimond noted, "the neighborhood has started to feel cleaner and brighter and prettier." The physical improvements are part of a broader Placemaking effort appreciated by customers and sellers alike.

For example, organizers have begun to set out picnic tables at lunch time, and sellers have started offering prepared foods like wraps, burritos, and iced tea. "People have a reason to come there for lunch and then buy produce while they're there," said Dimond.

In a sign of the market's continued growth and success, next year the Food Project plans to move it to a larger, indoor/outdoor site at a nearby train station