

Accepting Food Stamp Electronic Benefit Transfer (EBT) Cards at Farmers' Markets and Farm Stands:

A Primer for Farmers and Market Managers



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The Food Stamp Program Electronic Benefit Transfer

The food stamp program (FSP) is the federal government's largest nutrition assistance program for limited-resource families. FSP, along with other federal nutrition assistance programs, are the nation's safety net against hunger and malnutrition in the United States.

In New Hampshire 59,101 individuals in 28,852 households participated in the program in 2007. This increased from 56,338 individuals in 2006. Since 1997, New Hampshire has distributed food stamp benefits to recipients in the form of an Electronic Benefit Transfer (EBT) card rather than paper coupons. The EBT card functions much like a debit card.

Farmers who sell directly to the public are eligible to accept EBT cards. The challenge for farmers' markets and farm stands, some of which accepted paper food stamps in the past, is the lack of infrastructure to accept the EBT card, which requires a landline telephone and electricity, or a wireless terminal. Today there are several options for farmers and markets, depending on the resources available to them. This manual describes the various options and how farmers or market managers can offer this service to EBT-card customers.

Why would farmers and markets want to offer this service?

Farmers receive only about 20 percent of every food dollar. The remainder goes to the food processing, distribution and marketing industries. In 2007, \$62.4 million in food stamp benefits were distributed in New Hampshire. With few exceptions, all this money is spent in supermarkets and convenience stores.



The USDA Food and Nutrition Service originally created the food stamp program as both a nutrition program for low-income families and an agricultural stimulus program. When farmers accept EBT cards directly, the program serves both farmers and families as originally intended.

By accepting EBT cards at point of purchase, the farmer receives the entire food dollar, which in turn stimulates the local economy, and food stamp recipients have another source of nutritious food. In communities without supermarkets, a farmers' market may serve as the only source of fresh fruits and vegetables.

In addition to fruit and vegetable producers, farmers who sell foods like meat, milk and milk products, baked goods and maple products may also accept EBT cards.

Do food stamp recipients shop at farmers markets?

A number of factors affect whether food stamp participants will use their EBT cards at farmers' markets and farm stands. Many of the same factors that draw middle and higher income customers to the market

also attract food stamp customers: they enjoy the market atmosphere and its direct connection to the land and people who grow the food, and they like the flavor of in-season fresh fruits and vegetables. For others, living near the farmers' market or farm stand draws them in. Some likely customers have been introduced to shopping at farmers' markets through other programs such as WIC and Senior Farmers' Market Nutrition Programs (FMNP).



Refugees who have settled in New Hampshire, many from agrarian societies where fresh food is important to their culture, benefit tremendously from having the option of using their EBT card at farmers' markets.

There is a perception that farmers' markets are more expensive than grocery stores. Specialty crops, meats and value-added products may be priced higher than the supermarket. However, most farmers price their fruits and vegetables in line with weekly retail prices. Educating consumers about the actual costs to raise food, and therefore higher prices

for some foods, is a challenge the farmer must meet regardless of the socio-economic status of the customer.

Which farmers can become food stamp merchants?

Any food vendor or retail farm enterprise may apply to USDA FNS to become a ***food stamp merchant***. An individual farmer may apply, or a farmers' market may apply as one entity. Individual farm owners have the simplest route to becoming a food stamp merchant.

Complete an application found at <http://www.fns.usda.gov/fsp/retailers/becoming.htm#1>. The application requires information about the owners of the business and specific financial information. The EBT transaction works by an electronic transfer of funds from the customer's EBT account directly to the farmers' bank account, similar to a debit card.

The USDA FNS Web site cited above also describes the program in more detail, including answers to frequently asked questions about applying for a food stamp merchant permit. The regional USDA FNS office is located in Concord and covers New Hampshire and Vermont:

New Hampshire Field Office
USDA Food and Nutrition Service
53 Pleasant Street
Concord, NH 03301
603-225-5253 (ph)
603-225-1620 (fax)

A farmers' market can also become a ***food stamp merchant***. In this case, the market supplies the banking information for the market's bank account and a contact name from the market to go on the permit.

How does this program differ from WIC and Senior Farmers' Market Nutrition Coupons?

The federal WIC and Senior Farmers' Market Nutrition Programs (FMNP) also provide low-income families access to fresh fruits, vegetables and cut herbs from farmers' markets. In New Hampshire, farmers who participate in the program may redeem the coupons for sales of fresh fruits, vegetables and cut herbs at ***farmers' markets only***, not farm stands. Each WIC or Senior FMNP recipient receives coupons as funding permits. Check with the NH WIC program for up-to-date rules to

participate. Information is available on the Web at:
<http://www.dhhs.nh.gov/DHHS/WIC/default.htm> or contact:

Laurie Desmarais
WIC Program
29 Hazen Drive
Concord, NH 03301
(603) 271-4546
1-800-852-3310 ext. 4546

The Food Stamp program operates differently. You can use EBT cards to purchase other foods in addition to fruits, vegetables and herbs. If you receive a food stamp merchant permit, you will receive training including information about which foods may be purchased with EBT cards.

How an Individual Farmer Can Participate

STEP 1: Application Process

Each state has a USDA Food and Nutrition Officer designated to approve the food-stamp retailer permits. You can download an application from the Internet at <http://www.fns.usda.gov/fsp/retailers/becoming.htm#1> or contact the state office for an application.

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Complete the application for a **Food Stamp Merchant** permit. Every approved merchant receives a USDA permit. This permit must be displayed at the place of business. (Tip: when you receive your permit, have it laminated so it can withstand dust, rain, heat and weekly transport to and from the market).

Each state contracts with specific financial institutions to conduct EBT transactions. The program is modeled on a debit system; when you run a transaction, the funds are transferred into your bank account within 24-48 hours.

You can choose to have your account set up with a terminal that accepts only EBT cards, or one that will take both credit/debit and EBT cards. If you choose EBT only, then you can view your account using a username and password on the State of New Hampshire Contractors – Retailer Web Portal, <http://www.ebtedge.com>.

Once the office receives your application, it has up to 45 days to approve it. You may apply anytime throughout the year, and your permit is valid for five years from the date of issue.

There is no fee to apply or for the permit.

STEP 2: Equipment

When you submit your application you will need to indicate how you will accept EBT cards at your farm stand or farmers' market booth. There are four ways to conduct transactions, and each requires different equipment:

1. A third-party processor you already use to accept credit/debit transactions.
2. A point of sale (POS) terminal.
3. A wireless terminal.
4. A paper voucher.

Here are some pros and cons of each.

Credit/debit terminal:

This option requires adding the EBT function to a wireless or other terminal already in use for accepting credit/debit transactions.

Pros:

- The terminal may expand the customer base because all income groups can use electronic transactions.
- If you have a wireless unit, it eliminates the requirement for a landline telephone and electricity.
- These types of terminals are reliable.



figure 1 – credit/debit terminal

Cons:

- Wireless units can be expensive (though prices are declining and increased sales from credit/debit customers may offset the terminal cost).
- Terminal service fees and transaction fees may apply to non-EBT transactions.
- There are additional fees to add EBT to the terminal and/or EBT transaction fees.
- Standard credit/debit terminals require electricity.

POS terminal:

A POS terminal is a machine similar to the one in Figure 1. It requires a source of electricity and a land-based telephone line.

Pros:

- These terminals are reliable.
- Most states may provide them free with no service charges if you have \$100 or more in sales.
- May be moved and used at your farm stand if you have one.

Cons:

- Requires a telephone line (most telephone companies will install an interface box at market locations if there is a nearby telephone pole or building).
- Requires an electrical outlet. A portable generator and car battery also works.
- If credit/debit capabilities are added, your EBT contractor will charge you for the terminal and service charges.
- There may be service fees and transaction fees for EBT transactions.

Wireless terminal

A wireless terminal can be used anywhere the service provider has a signal (see Figure 2). It uses cell-phone technology and works on a battery or with an AC adaptor. Many service providers include an extra battery or have them available for purchase.



figure 2 – wireless terminal

Pros:

- Can be used at the farmers' market or at the farm stand.
- Can add debit/ credit capability.
- Convenient and reliable.
- May also be used at your farm stand.

Cons:

- May be expensive to purchase (however, prices are declining and vendors will want to shop around for deals).
- Involves transaction fees and service charges.
- Printer needs frequent paper replacement.

Paper Voucher:

If using a POS terminal isn't feasible and a wireless terminal is cost-prohibitive, a food stamp retailer can still accept an EBT card by using a paper voucher and a cell phone.

The farmer completes the voucher and the customer signs it. This works best when the farmer calls to get an approval code while the customer is still at the booth. This insures that funds are reserved in your account. Then, the farmer mails the voucher to the financial institution assigned to process the transaction.

Pros:

- You don't need to bring equipment to the market except for a cell phone (although you can keep a POS terminal at home and enter all EBT transactions when you return at the end of the day).

- Less expensive than other methods.
- By calling in for an approval number while the customer is there you will have the security of knowing your customers had funds available in their EBT account.
- You may also use it at your farm stand.

Cons:

- The transaction takes a few minutes longer to complete.
- Calling in all transactions at the end of the day runs the risk that customer benefit funds may no longer be available.
- If you don't have a POS terminal at home, you need to mail in the voucher. It takes 10 days for the transaction to be entered into your account.

How a Farmers' Market Can Participate

Step 1: Application process for farmers' markets:

The process is the same for markets as it is for individuals. A member of the market's board should submit the application. The market bank account information goes on the application; however, the application must include the name of a contact person whose name will then appear on the permit. The designee will become the contact person for all correspondence from FNS and the person who receives the POS terminal if the market chooses that option.

Step 2: Decide how the market accepts payment

Markets can accept EBT payments several ways. The USDA Web site http://www.fns.usda.gov/fsp/ebt/ebt_farmers_markstatus.htm has a list of EBT farmers' market projects with specific information on accepting payments.

The scrip system

Scrip is market currency used at the market instead of cash or EBT cards. Because scrip falls outside the normal food stamp operating procedures, the FNS requires the EBT manager in your state to apply for special permission to allow a market to use it.

New Hampshire markets using scrip must develop a written proposal and submit it to the Department of Health and Human Services, Division of Family Assistance EBT manager on behalf of the market. The state EBT manager and the market agree to the terms, and then the EBT manager sends the proposal to the FNS regional office in Boston for approval. Allow two months for this process. You may not accept EBT cards using a scrip system until you have this approval – even if the market already has its permit. It’s advisable to contact the state EBT manager before you develop your proposal because there are specific components needed for a successful proposal.



How the scrip system works

The market designates a central location where EBT customers may purchase the amount of scrip they want. A staff person must be trained to operate the scrip system. The USDA Food and Nutrition Service provides free training. In New Hampshire, most markets issue scrip in paper or wooden tokens in either \$0.50 or \$1.00 increments. The EBT terminal operator runs the transaction, records the approval code and issues the scrip.

Customers spend their scrip at any food vendor, using it just like cash except that vendors can’t dispense change, so all purchases must be made in \$0.50 increments. Customers may use their own change to make up the differences under \$0.50.

If a customer doesn’t use all of the scrip purchased for the day, she may return to the EBT stall and have the remainder credited back to her EBT account. Or, she may save the scrip to shop at the market the following week.

At the end of the day, market vendors turn in their scrip to the EBT terminal operator and receive a receipt for the total. The vendor keeps one copy and the market manager or treasurer of the farmers' market receives a copy. Markets differ in how they decide to handle reimbursement. Some write checks the same day and others wait one week to ensure the EBT funds were deposited in the market account.

Running EBT transactions

Markets can pay someone to run the kiosk, have their market manager fulfill this role, or use volunteers. In one New Hampshire location, a local *Main Street Program* trained their volunteers to issue scrip. This was an ideal low-cost solution for the market and EBT customers.

Pros:

- Allows EBT customers to shop like any other customers.
- Takes the burden from individual vendors.
- EBT customers like using their card once instead of at each vendor.

Cons:

- Adds another administrative layer to the market.
- EBT customers may feel a loss of anonymity.
- Designated scrip denominations permits less flexibility with pricing. As with FMNP coupons, farmers learned to make up the differences by including extra product, or customers learned to make up the differences using their own change.

Accepting EBT in other ways

The market can use a central terminal where all EBT customers pay for their goods, with the market reimbursing each vendor separately. This works well for enclosed markets; open markets risk the possibility that customers could visit several vendors and not pay at the central location.

Other Direct-Marketing Models

Farm stands

The process for farm stands is the same as that described for individual farmers in Section 2. If you sell both at your farm stand and at farmers' markets you may use the same terminal and permit for both, because the farm enterprise is the owner of the Food Stamp Merchant permit.

Community-supported agriculture (CSA)

Contact your state Food and Nutrition Service Field Office to find out whether your state allows CSAs to become Food Stamp Merchants. In New Hampshire and Vermont, call 603-225-5253.

Summary

Farmers' market demonstration projects around the country have shown that in some locations, food stamp recipients are a viable market segment for farmers' market vendors. There are several factors that determine the likelihood of attracting food stamp recipients:

- Location in, or within, walking distance to a low income neighborhood.
- Strong relationships with human service offices and education of their staff about the availability of using Food Stamp EBT cards at your farmers' market.
- Strong community involvement to support the infrastructure and promotion.
- Education and promotion with food stamp recipients.
- A leader on the market's steering committee or board of directors who is committed to the project.

Farmers' markets will want to meet with their state EBT Manager to discuss all options available to them and which are the most viable at their market. In very busy markets, we have found that both farmers and customers prefer the scrip system because the transaction is like a cash transaction and takes the least time for a busy vendor. Some food stamp recipients have told us it is easier for them not to have to pull out their EBT card at each vendor they visit. However, as the use of debit/credit

cards become more common at farmers' markets, then customers with EBT cards will blend in with other customers using credit/debit cards.

For more details about the farmers' market EBT project in New Hampshire visit the Northeast Sustainable Agriculture Research and Education (NESARE) website: http://www.sare.org/reporting/report_viewer.asp?pn=LNE04-199. Annual and final reports about the project can be found there. For technical assistance about using a scrip system at your market contact the EBT Manager in New Hampshire at 603-271-4256.

USEFUL WEBSITES

New Hampshire Farmers' Market Association:

<http://www.nhfma.org>

New Hampshire Department of Agriculture, Food and Markets:

<http://www.agriculture.nh.gov>

University of New Hampshire Cooperative Extension

<http://extension.unh.edu>

GLOSSARY

EBT card – Electronic Benefits Transfer card. These cards are similar to debit or check cards except they contain food stamp benefits only. Some recipients may also have other cash benefits on the EBT card.

FMNP – Farmers’ Market Nutrition Program. A federal nutrition assistance program that provides low income women, children and seniors with a limited number of coupons to purchase fruits, vegetables and herbs and, in New Hampshire, only at farmers’ markets. In NH the Dept. of Health and Human Services Division of Nutrition and Health Promotion administers the program.

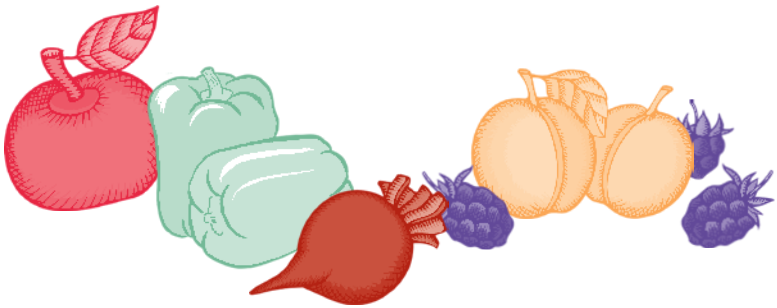
FNS – Food and Nutrition Service of the United States Department of Agriculture

Food Stamp Merchant – a food retail operation that is approved by the USDA-Food and Nutrition Service to accept food stamp benefits.

FSP – Food Stamp Program. This is a federally funded nutrition assistance program administered by the states. In New Hampshire, the N.H. Dept. of Health and Human Service Division of Family Assistance administers the program.

NESARE – Northeast Sustainable Agriculture Research and Education Program. This is a program of USDA which provides grants to farmers and others to support research in sustainable agriculture.

WIC – Women, Infants & Children Nutrition Services This is a federally funded nutrition and health care program for pregnant and nursing mothers and children under the ages of 5 years old. WIC recipients received FMNP coupons.



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