

# Policy Brief



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[www.northflintfoodmarket.org](http://www.northflintfoodmarket.org)

## The Importance of Providing SNAP Benefits for the Potential Customers of North-Flint Food Market Cooperative during the Initial Weeks of Operation

- The North Flint Food Market Cooperative, a 9.5 million dollar project, is entering the market in the near term.
- It typically takes six weeks for new Food Co-ops and retailers to become authorized for providing SNAP benefits.
- The North Flint Food Market Cooperative will be located in a highly food insecure area where considerable portions of potential customers have household incomes below the poverty line.
- A delay in accepting SNAP benefits from customers during initial weeks in the market will lead to inevitable short-term and long-term adverse consequences for the North Flint Food Market and the community members. (This may lead to up to \$504,000 loss from sales after six weeks and up to \$51,000,000 loss from sales after five years.)
- Waiving the required time for becoming an authorized SNAP benefit provider will help promote access to affordable healthy and fresh food items for Flint community members.

### *North Flint Food Market Cooperative*

Cooperative (Co-op) businesses, specifically Food Markets, are usually characterized by their strong support for community activities, promoting the local economy, and sourcing local products. Food Markets are owned and controlled by people who use them. All the community members (above 18 years old) are eligible for purchasing a share and becoming co-op members. Each co-op member has a vote and can contribute to ensuring the success of the Food Market by providing access to safe, high-quality, local, and natural food products. Food Markets, as community hubs, are able to be hosts of educational events that make food-related knowledge available for community members. Purchasing from Food Markets puts money back into the local economy and co-op members can directly benefit from the co-op revenues. Furthermore, Food Markets have clear

advantages in working with local producers and procuring local products for the customers. They also strengthen the connection and trust between local producers and customers [1].

In addition to the above-mentioned valuable generalized features of Food Markets, the North Flint Food Market has major responsibility for combating food insecurity in the northern region of Flint. The North Flint Food Market is the only Food Market and one of the few remaining food stores inside the city of Flint. During the last decades, several food stores (including large chain supermarkets such as Kroger and Meijer) have closed their business inside the city boundary—especially in north Flint. The closure of food businesses has decreased the availability and accessibility of food items—particularly access to fresh and natural produce—for the northern Flint residents. Therefore, northern Flint residents need to travel to the limited food store options outside the city

boundary to purchase fresh and affordable food items. The importance of access to fresh produce has been underscored for countering the effects of lead poisoning after the Flint water crisis. Fortunately, after eight years of consistent efforts, the North Flint Food Market, a 9.5 million dollar project is ready to run its market in the first or second quarter of 2023. Hopefully, the north Flint residents will be able to purchase high-quality food items at an affordable price without traveling 15-25 minutes from their homes. However, some conditions such as the unavailability of SNAP benefits in the initial weeks of the North Flint Food Market's operation may limit its successful journey in approaching valuable vision and increasing accessibility of fresh food items for the north Flint residents.

### *The Importance of SNAP Benefits*

The North Flint Food Market is located between ward one and ward two of Flint; a considerable number of residents in this area live below the poverty line and rely on the Supplemental Nutrition Assistance Program (SNAP) to feed their families. *(Please see Appendix A for a map indicating the location of the North Flint Food Market.)* Approximately 10,000 people (4,116 Households) live in ward one and 92% of these residents are African American. The average median income for the area is around \$22,000 and 41% of the population lives below the federal poverty line. In ward two, similar to ward one, 10,400 people (4,012 Households) live in this ward and 91% of residents are African American. The average median income for this area is around \$25,000 with approximately 38% of the population living below the federal poverty line [2]. Therefore, it is assumed that a substantial portion of potential customers of Flint Food Market will need to use SNAP benefits for their purchases.

However, it takes up to six weeks for retailers or Food Markets to become authorized as official providers of SNAP benefit services. Therefore, the North Flint Food Market will not be able to provide SNAP benefit services in the

initial weeks of opening. As previously mentioned, a considerable portion of its potential customers who depend on SNAP benefits for feeding their families still needs to travel further and purchase from other food stores. This unavailability of SNAP benefits will lead to short-term and long-term consequences for both North Flint Food Market and the north Flint residents and it will hinder the North Flint Food Market from pursuing its successful path of promoting access to affordable healthy and fresh food items for the Flint community members. Also, it may affect the position of the North Flint Food Market as a community hub for encouraging the community engagement activities of Flint residents.

### *The Lost Opportunities*

To evaluate the effects of the unavailability of SNAP benefits during the initial weeks of operation of the North Flint Food Market, the results of different scenarios have been explored regarding some assumptions about the average North Flint Food Market's weekly customers, average weekly food costs for different family sizes, and the share of SNAP benefit users out of total potential customers. Please see Appendix B for a detailed explanation of assumptions and results.

If the North Flint Food Market does not provide the SNAP benefit services during the initial six weeks, it will lose from \$168,000 (when 20% of total potential customers are eligible for using the SNAP benefits) up to \$504,000 (when 60% of total potential customers are eligible for using the SNAP benefits) of revenue from selling food items after six weeks. In addition, if SNAP users who live in ward one or ward two of Flint cannot purchase from the North Flint Food Market, they need to travel further and spend more time and energy purchasing their food products. On average, SNAP users who still need to find another place for purchasing their food items (they cannot purchase from the North Flint Food Market during the initial Six weeks) and have their own

car, should drive more than 5.7 miles and spend 13 minutes. Moreover, for the SNAP users who need to use public transportation, it takes 36 minutes to arrive at the other food stores (that includes 8 minutes walking and at least one bus transfer).

Regarding the long-term effects on the annual sales of the North Flint Food Market, by assuming that the North Flint Food Market will lose a portion of potential customers who use SNAP benefits for the first year because of the unavailability of SNAP benefits during the initial weeks and considering the constant annual growth rates, the North Flint Food Market may lose approximately \$31,696,000 after five years (on average \$5,299,000 per year). And if 20% of their potential customers use SNAP benefits. Assuming 60% of their potential customers use SNAP benefits, the co-op may lose approximately \$50,378,000 after five years (on average \$8,445,000 per year. In addition to the effects on annual sales, the unavailability of SNAP benefits may affect the North Flint Food Market's community services as a community-based center for providing educational opportunities and holding "Stop & Shop" events as they may have a lower level of support of community members during the initial years.

On the other hand, if the Flint Food Market can provide the SNAP benefit services from its initial opening, not only will the Food Market prevent the revenue loss after six weeks (revenue loss ranges from \$594,000 to \$1,782,000), but it also can earn more money because of higher purchasing power of SNAP users for non-food items. Since SNAP users can use their SNAP benefits for food item purchases, they do not need to pay for the food items. Instead, they can use a portion of their budget for purchasing non-food items from the North Flint Food Market. Therefore, based on the assumptions and different scenarios, the North Flint Food Market can earn additional revenue (additional revenue ranges from \$148,000 to \$445,500 after six weeks) by selling non-food items to SNAP users. Moreover, SNAP users

who can purchase food items from the North Flint Food Market and use their own car, just need to travel 1.2 miles and it takes 3 minutes to drive to the Co-op site. And, for the SNAP users who use public transportation, it takes 12 minutes (including 6 minutes of walking and use of a single bus) to arrive at the Food Market (In comparison to the unavailability of SNAP benefits, SNAP users will spend shorter time to purchase their food items as they have a closer food market nearby).

Moreover, if the Flint Food Market provides SNAP benefit services from the beginning, after five years, it may hit \$52,756,000 from annual sales at year five if 20% of their potential customers use SNAP benefits, or it may hit \$45,219,000 from annual sales at year five if 60% of their potential customers use SNAP benefits.

### *Recommendations*

As previously discussed, the North Flint Food Market will play a pivotal role in promoting access to affordable healthy, and fresh food products; especially for the low-income residents of north Flint. Unavailability of SNAP benefit services during the initial six weeks may lead to potential major losses for the North Flint Food Market and the Community Members. However, by waiving the required six weeks for becoming authorized SNAP providers or shortening this period, it may prevent or mitigate adverse future losses and problems. In addition, if this time (six weeks) is required for this process, the North Flint Food Market can complete its application before the opening of the market if it is possible.

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## Sources

- 1: Katchova, A.L., & Woods, T.A. (2011). *The effectiveness of local food marketing strategies of food cooperatives* (No. 321-2016-10833).
- 2: Rosencrants, T., McCloskey, M., & McDonnell, M. (2019). *The City of Flint Community Profiles by Ward*

## Appendix A

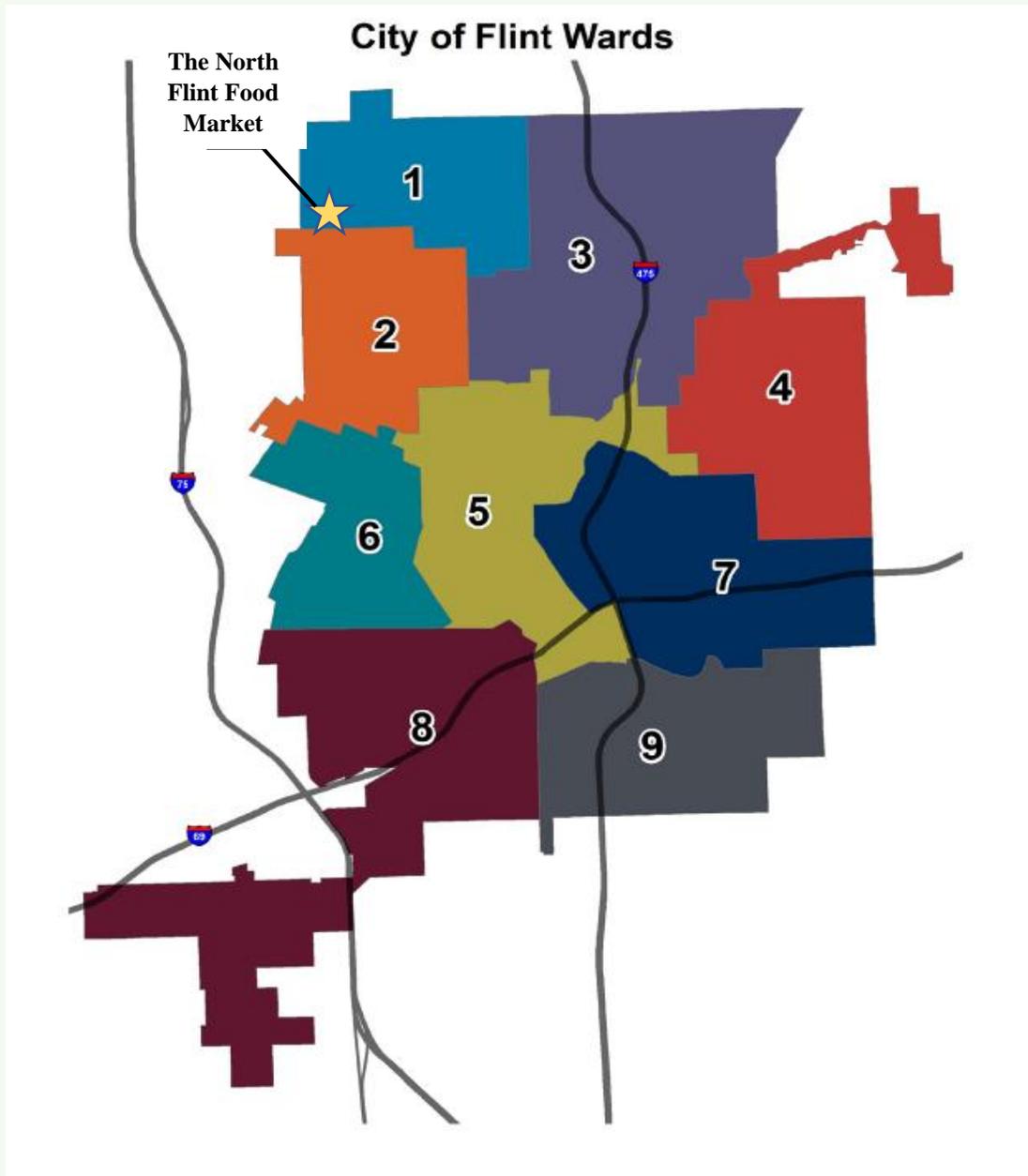


Figure 1. Map of Flint Wards and the Location of the North Flint Food Market

## Appendix B

### 1- Calculation Assumptions and Results for the Initial Weekly Sales:

For this investigation, it was assumed that on average, 3000 households per week will purchase their needed food items from the North Flint Food Market (on average 6000 customers per week). Since almost 40% of the nearby population—population in ward one and ward two of Flint—lives under the federal poverty line and all of them are eligible for receiving the SNAP benefits, three scenarios (1: when 20% of total costumers of the North Flint Food Market will use SNAP benefits, 2: when 40% of total costumers of the North Flint Food Market will use SNAP benefits, and 3: when 60% of total costumers of the North Flint Food Market will use SNAP benefits) have been considered for exploring the results.

For each year, the maximum monthly allowable benefits for SNAP customers based on their respective household sizes will be determined. The maximum monthly allowable SNAP benefits for a family of two is \$459 (\$105 per week) and the maximum monthly allowable SNAP benefits for a family of four is \$835 (\$192 per week). These benefits have been calculated based on the thrifty food plan provided by USDA. In addition to the thrifty food plan, USDA provides three other food plans including the “Low-Cost Food Plan”, “Moderate-Cost Food Plan”, and “Liberal Food Cost” Each Food plan describes how much it can cost to eat healthy at different cost levels. The monthly cost of a “Moderate-Cost Food Plan” for a family of two is \$662 (\$153 per week) and the monthly cost of a “Moderate-Cost Food Plan” for a family of four is \$1237 (\$285 per week).

To calculate the weekly sales of the North Flint Food Market from food items during the initial six weeks of operation, it has been assumed that 35% of weekly customers are families of two and the remaining 65% of weekly customers are families of four. It was also assumed that among SNAP users, customers from a family of two spend \$100 per week, and customers from a family of four spend \$200 per week (based on the maximum monthly allowable SNAP benefits described before). Moreover, for non-SNAP customers, it has been assumed that their household cost is similar to the “Moderate-Cost Food Plan” of USDA. So, families of two spend \$150 per week, and families of four spend \$300 per week for purchasing food items from the North Flint Food Market. Considering the effects of the availability/unavailability of SNAP benefit services during the initial weeks of Food Market operation, it has been assumed while SNAP benefit is unavailable in the Food Market, all the SNAP users will purchase food items from other food sources. Equations 1 and 2 demonstrate the formulas for calculating the weekly sales for non-SNAP customers and SNAP users when SNAP benefits are available/not available during the first six weeks.

**Equation 1: Weekly Sales when SNAP Benefits are Available** = (Number of SNAP Users of Family of Two\*Weekly Food Cost of SNAP Users of Family of Two) + (Number of SNAP Users of Family of Four\*Weekly Food Cost of SNAP Users of Family of Four) + (Number of Non-SNAP Households of Family of Two\*Weekly Food Cost of Non-SNAP Households of Family of Two) + (Number of Non-SNAP Households of Family of Four\*Weekly Food Cost of Non-SNAP Households of Family of Four)

**Equation 2: Weekly Sales when SNAP Benefits are NOT Available** = (Number of Non-SNAP Households of Family of Two\*Weekly Food Cost of Non-SNAP Households of Family of Two) + (Number of Non-SNAP Households of Family of Four\*Weekly Food Cost of Non-SNAP Households of Family of Four)

Figure 2 and Figure 3 present the average weekly and total sales of the Flint Food Market from selling food items with or without the availability of SNAP benefits during the first six weeks. Three different scenarios for the share of SNAP users have been defined including 20%, 40%, or 60% of total customers. It has been assumed the average total number of customers per week would be 700—without any increased rate during the first six weeks.

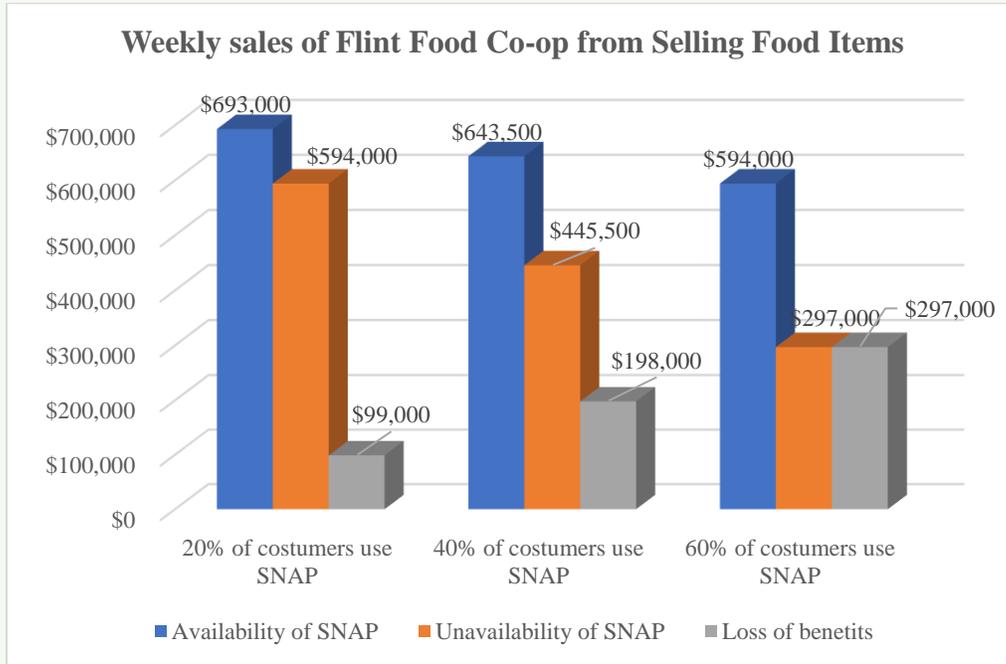


Figure 2: Average weekly sales of the Flint Food Market from food items for different scenarios regarding the availability/unavailability of SNAP benefits during the initial six weeks of its operation

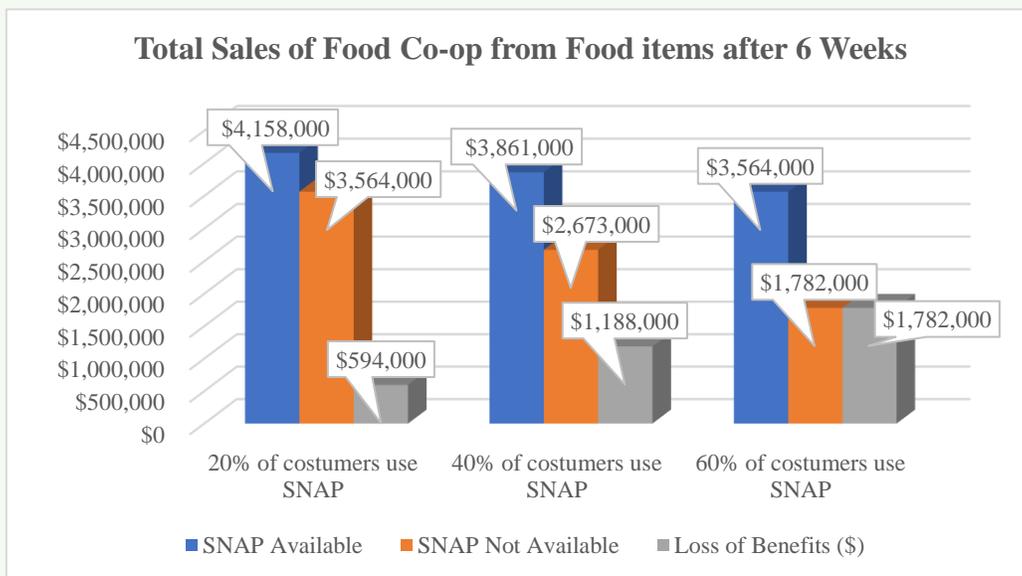


Figure 3: Average total sales of the North Flint Food Market from food items for different scenarios regarding the availability/unavailability of SNAP after six weeks of its operation

## 2- The Increased Purchasing Power of SNAP Users for Non-Food Items:

Since SNAP users can use their SNAP benefits for food-item purchases, it may increase their purchasing power for non-food items. It has been assumed that 50% of SNAP users may assign 50% of their food costs to purchasing non-food items. As an example, if a family of four can use SNAP benefits (i.e., spend \$200 per week on food items), now this family can spend \$100 on non-food items. Therefore, it may increase the sale of non-food items for the North Flint Food Market!

Table 1: Potential increase in the sale of non-food items by SNAP users

SNAP Condition		Weekly	After 6 Weeks
SNAP Available	20% of Customers Use SNAP	\$24,750	\$148,500
	40% of Customers Use SNAP	\$49,500	\$297,000
	60% of Customers Use SNAP	\$74,250	\$445,500

## 3- Average Annual Sales of Food Items for the First Five Years of Operation

To explore the effects of the availability/Unavailability of SNAP benefits during the initial weeks of operation on the annual sales of North Flint Food Market, it has been assumed that the growth rate of annual sales of the North Food Market can be considered 10% when SNAP benefits will be available at the beginning; however, the annual sales growth rate has been considered 5% when the SNAP benefits will not be available during the initial six weeks of operation. Also, it has been assumed that only 70% of potential SNAP users will start purchasing from the North Flint Food Market in the first year after six weeks of unavailability of SNAP benefits.

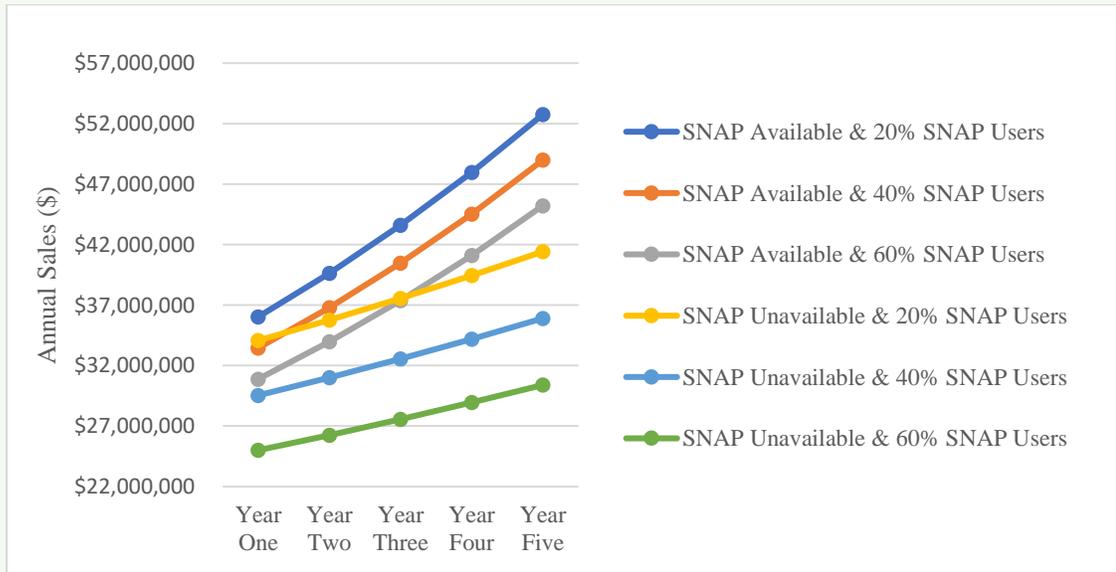


Figure 4: Average annual sales of the North Flint Food Market from selling the food items during the first five years of operation for different scenarios