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Potential SNAP/Food Stamp Changes Under Trump

We believe the concerns over cuts/changes to the Supplemental Nutrition Assistance Program (SNAP)/food stamp program are overblown as a result of the Republican sweep, whether RFK Jr. is confirmed as Secretary of Health and Human Services (HHS) or not.

Having said that, there are risks to the SNAP program both from things that the incoming Trump administration can do administratively and from Congress, which we outline below.

Congress

We see two realistic legislative avenues for changes to SNAP, though we see both as being rather benign for low-end retailers such as **Walmart** (WMT), **Dollar Tree** (DLTR), **Dollar General** (DG) and **Target** (TGT). One route is through the Farm Bill, which is the way SNAP recipient funding is usually determined. The second path would be through an expected tax bill next year, using SNAP cuts as a potential offset.

Farm Bill

The current Farm Bill essentially expires on Dec. 31. The good news for the companies that benefit from SNAP spending is that a short-term, one-year extension of current law is expected to pass before Christmas and would keep funding for food stamps at current levels, though so would both the House and Senate Farm Bills, despite reports to the contrary.

Congress has not been able to pass a five-year Farm Bill reauthorization in large part due to Democrats' opposition to the House Republican Farm Bill, which reportedly would "cut" up to ~\$30 billion in SNAP spending over 10 years. These cuts, not surprisingly, are not in the Senate Farm Bill, given that upper chamber is still control by the Democrats until January. For reference, according to the USDA, SNAP benefits cost the federal government \$113 billion in FY23.

However, calling the ~\$30 billion a "cut" is somewhat misleading. Historically, the Thrifty Food Plan (TFP) outlines nutrient-dense foods and beverages, their amounts, and associated costs that can be purchased on a limited budget to support a healthy diet through nutritious meals and snacks at home. The TFP was created in 1975, and re-evaluations of the program were made in 1983, 1999, and 2006. Importantly, historically when TFP was re-evaluated, it was updated on a *cost neutral basis*, with upward adjustments to benefits increasing by inflation only.

However, the 2018 Farm Bill required USDA to "re-evaluate and publish the market baskets of the Thrifty Food Plan based on current food prices, food composition data, consumption patterns, and dietary guidance...by 2022 and at 5-year intervals thereafter."

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Walmart Inc (WMT)

Price:	\$90.60
52-Week High:	\$88.64
52-Week Low:	\$49.85

Dollar General Corporation (DG)

Price:	\$75.50
52-Week High:	\$168.07
52-Week Low:	\$72.12

Target Corporation (TGT)

Price:	\$124.06
52-Week High:	\$181.86
52-Week Low:	\$120.21

So, in 2021 the Biden administration conducted a TFP re-evaluation and increased the SNAP benefit by 21%, which was not cost neutral but well above inflation, making it the largest expansion of the program in history. The “cut” that House Republicans have proposed in their Farm Bill would codify into law that any *future* re-evaluation of TFP will only *increase* benefits by inflation. However, the Congressional Budget Office (CBO) scores the House provision as *saving* (read cut) up to \$30 billion over 10 years since they estimate that the re-evaluations that are scheduled to take place in 2027 and 2032 (from the 5-year updates that the 2018 Farm Bill mandates) will result in SNAP benefits increase *above* inflation. So, even the House Farm Bill isn’t actually cutting spending below current levels but just ensuring that spending increases do rise above inflation through changes by the TFP.

Finally, with regard to the Farm Bill, just because the GOP controls both the House and Senate, doesn’t mean a five-year Farm Bill is likely to pass next year. Congress might have to pass another extension next year into 2026. Democrats in the Senate are likely to filibuster any Farm Bill the “cuts” to the SNAP program, and if Republican were pushing for these cuts in a divided government, they will surely push for them next year when they control Congress and the White House. That is unless Congress passes these Farm Bill cuts in another bill.

Tax Cuts Reconciliation

Since consideration of a tax bill is likely to come up before a Farm Bill next year, we expect Republicans will try to “cut” SNAP benefits in that measure, using the aforementioned ~\$30 billion CBO score to help offset tax cuts. A tax bill isn’t likely to be passed until at least September in our view. But, of course, any proposed SNAP cut would be proposed much earlier next year and maybe in the first 100 days of Trump’s tenure.

Republicans could propose cutting back on the 21% hike in SNAP benefits that was a result of the 2021 Biden re-evaluation, which the CBO estimates will result in \$250 billion to \$300 billion in higher SNAP spending from FY22 through FY31. Such a plan has not been on the GOP agenda, so we doubt that it will occur. However, this would be a real risk to the companies that benefit from SNAP funding, so it’s worth watching. Trump’s Department of Agriculture could also likely claw back the Biden re-evaluation increase, but there’s no indication he would do that.

Note that due to the Biden 2021 re-evaluation and high inflation, the maximum SNAP benefit is 50% higher for FY24 than it was in FY20, with a family of four now getting up to \$3,924 more in food stamp benefits.

Child Tax Credit

A bright spot for the low-end retailers that also benefit from SNAP spending is that we expect the child tax credit to be increased in the tax bill next year.

Currently, the child tax credit is \$2,000. It will go back to \$1,000 in the unlikely event that the Trump tax cuts expire and there is no extension by Congress. However, if we get an extension, the \$2,000 is likely to rise to a minimum of \$2,500 and could be higher. That could help offset some of the SNAP “cuts”.

Recall that Vice President-elect JD Vance said on the campaign trail that he wanted to increase the child tax credit to \$5,000. To us, there is no way Congress will pass a \$5,000 child tax credit given the cost, which by our estimated would cost over \$2 trillion over 10 years.

RFK Jr.

Finally, keep in mind that RFK Jr. would have no formal role administering the SNAP program if he were head of the Health and Human Services Department. The Agriculture Secretary would ultimately be in charge of what foods SNAP recipients could buy.

Of course, RFK Jr. could use the bully pulpit to try to sway the Ag Secretary, but he couldn’t mandate changes to the program. In addition, if we see any changes from the USDA, it is likely on a limited pilot program and not nationwide. We address this issue, as well as others, in this [note](#).

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