

Panel: Impacto de los fondos del PAN en la Seguridad Alimentaria y la Economía de Puerto Rico

**LEADING
INNOVATION**
Foro Anual de Retail 2022



Moderador:

Freddie Hernández - Procter & Gamble

Presentadores:

- Gustavo Vélez - Economista
- Lillian Rodríguez - Coalición para la Seguridad Alimentaria
- Eduardo Marxuach - Econo

A person wearing a green long-sleeved shirt is holding a large cardboard box filled with various groceries. The box contains a carton of milk, a head of lettuce, a bunch of leafy greens, a head of cabbage, a head of garlic, a bottle of olive oil, a loaf of bread, and some yellow fruit. The text "THE IMPACT OF NAP FUNDS IN FOOD SECURITY AND THE ECONOMY" is overlaid in white, bold, sans-serif font across the center of the image.

THE IMPACT OF NAP FUNDS IN FOOD SECURITY AND THE ECONOMY



**WHY IS IT
IMPORTANT
AND WHY
SHOULD WE
CARE?**

TOPICS TO COVER



THE ECONOMICS OF
FOOD IN PR



FROM NAP TO SNAP,
WHY AND HOW?



Q&A

The macroeconomic impact of NAP: Policy options

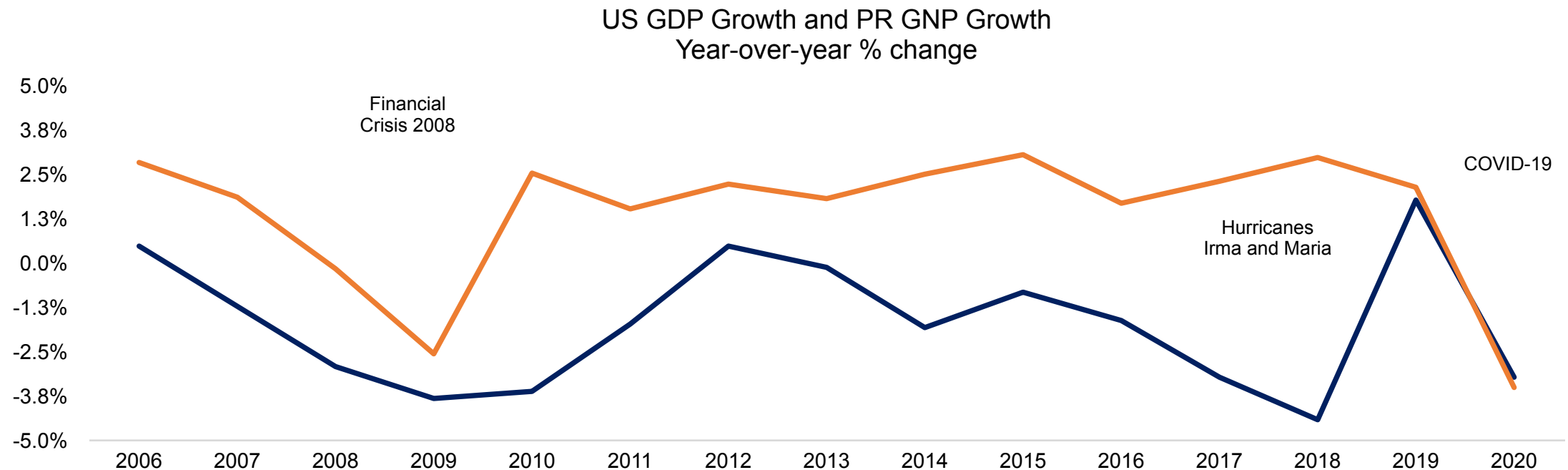
Presented by: Gustavo Velez, Economist

Intelligent Economics

August 3, 2022

Economic decoupling of the US and PR

*The US economy has grown steadily, while PRs has contracted over 15%
Federal transfers have been the only source of growth this past decade*

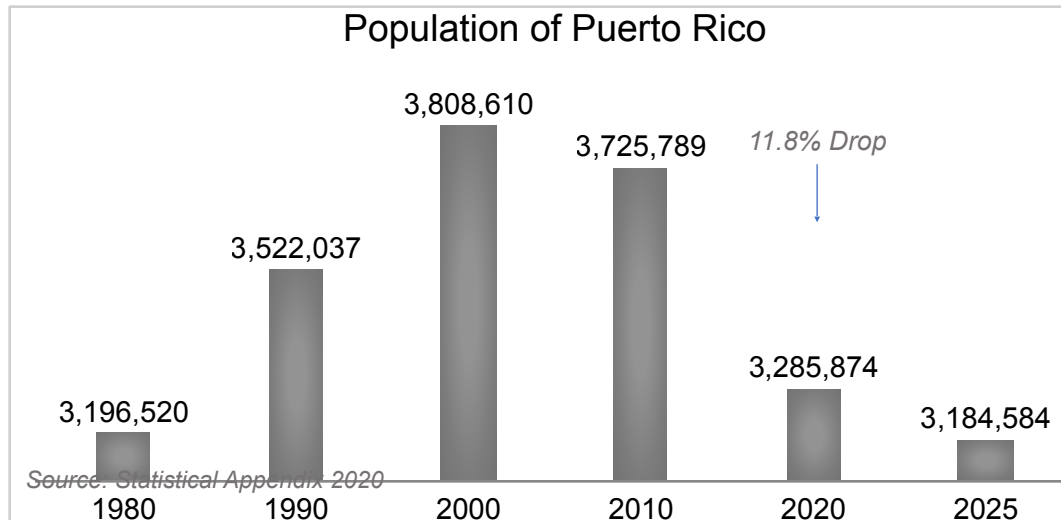


Source: Statistical Appendix 2020, BEA

Demographic challenges

Smaller population – same as 1980

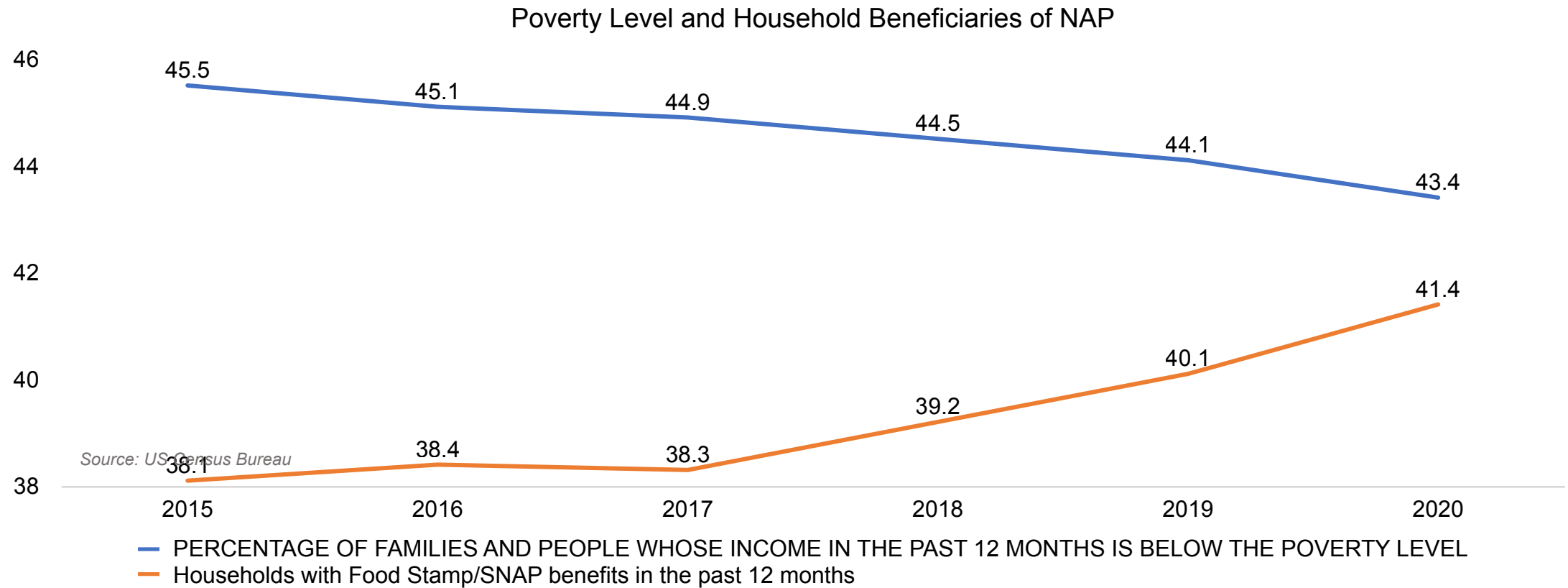
An aging and less economically independent population



Description	2010	2020	Δ
Population	3,808,610	3,280,000	-13.9%
Population over 65 years	14.3%	20.7%	6.4
Population 18-65 years	59.8%	59.2%	-0.6
Population under 18 years	23.6%	17.5%	-6.1
Median Age	32.1	42.8	33.3%
Median income	\$18,862	\$20,474	8.5%
Total Households	1,636,946	1,598,159	-2.4%
% Household receive Social Security	41.2%	45.0%	3.8
% Household receive NAP	36.7%	43.2%	6.5
% Income dependent from government transfers	38.9%	45.5%	6.6

Source: US Census Bureau – some data from 2019

Poverty demographics

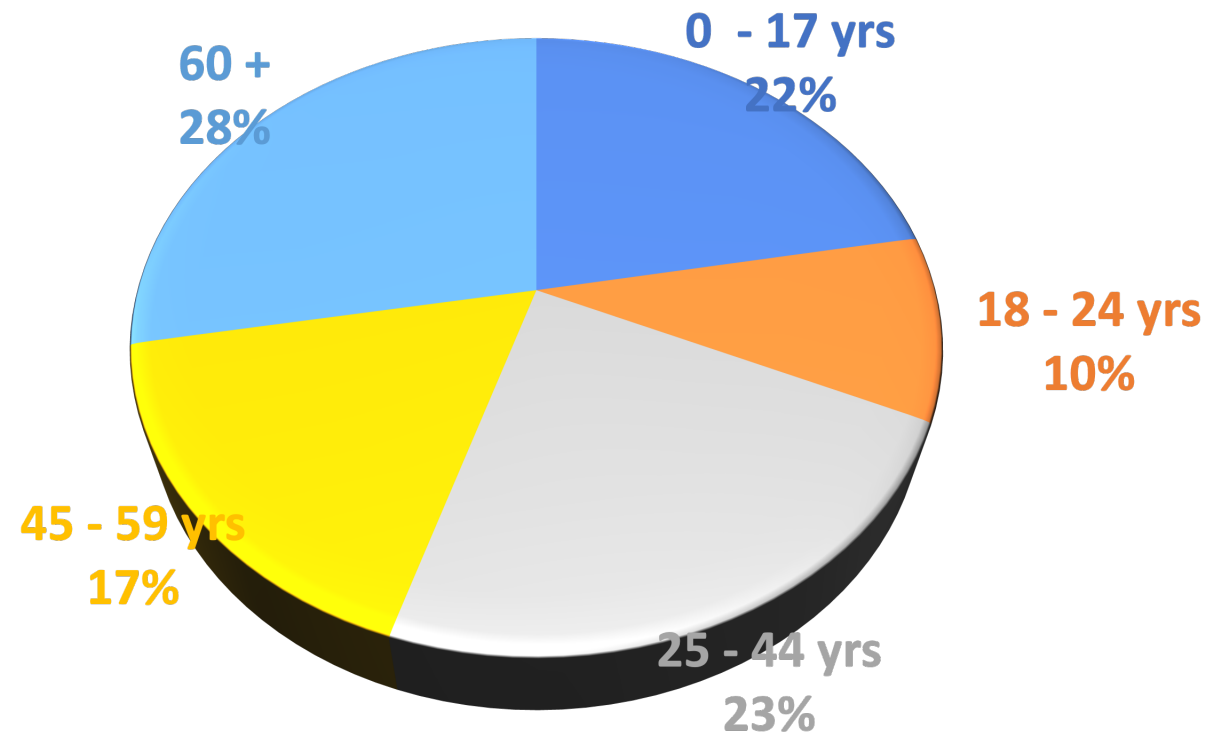


Elderly population is increasing

	65 yrs o more	% of population	Median Age
1950	85,578	3.9	18.4
1960	122,207	5.2	18.5
1970	177,077	6.5	21.5
1980	252,569	7.9	24.6
1990	340,884	9.7	28.5
2000	425,137	11.2	32.1
2010	541,998	14.5	36.9
2020	696,817	22.1	43.8

NAP Participation Profile

1.5M Participants



The macroeconomic impact of NAP:
Policy options

The business sectors and consumers are facing a historic number of economic challenges

Historic
inflation
of 9.1%

High energy and gas
prices are hurting
purchasing
power

High prices in the
global
commodity
market

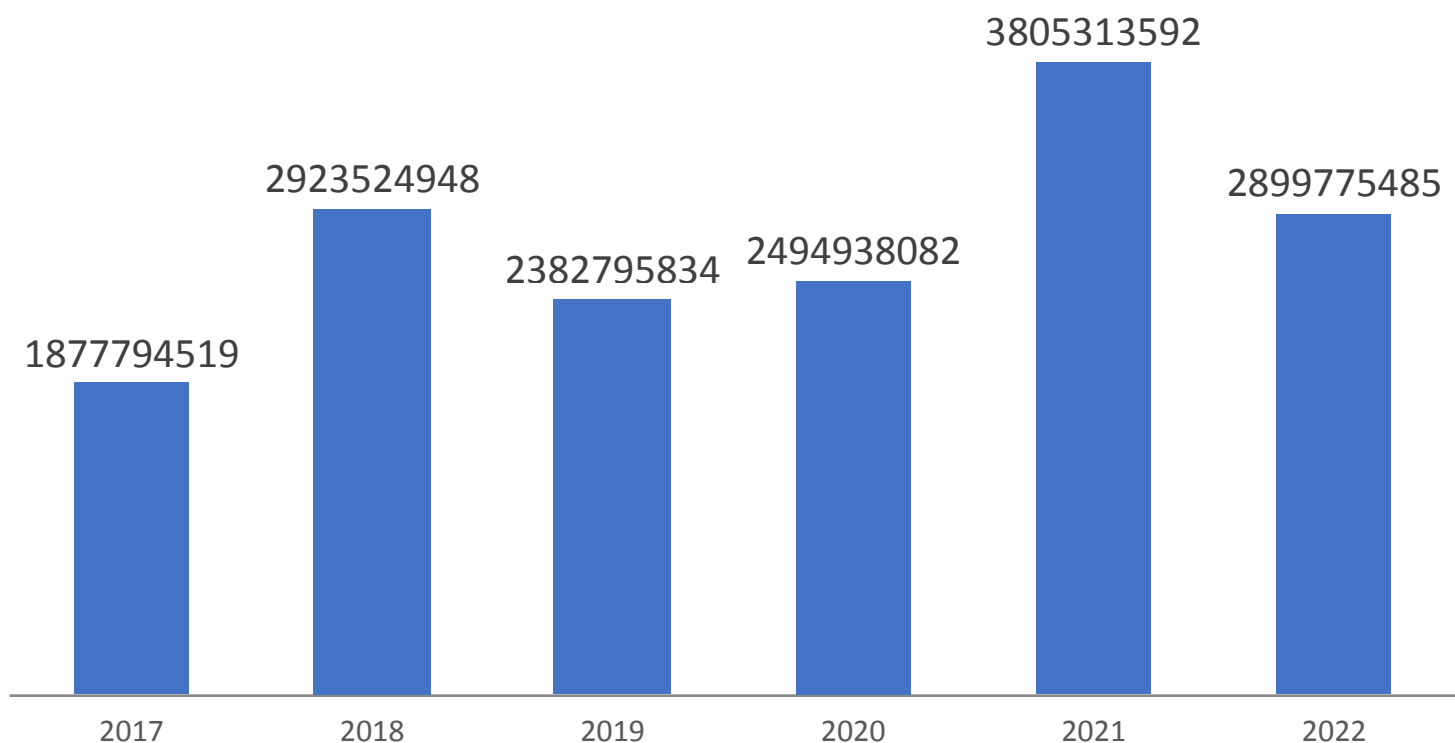
Disruption
in the
Supply
chains

Labor shortages across industries

Global Food security
concerns

The macroeconomic impact of NAP:
Policy options

NAP funding creates multiple benefits across the economy



Source: Government of Puerto Rico, ADSEF

1.5 million of recipients' benefit from an average \$160 per month

Stable food industry that creates 60,000 direct jobs

Direct impact on agricultural production - \$400 - \$500 million
Milk, Coffee and other crops

Over \$500 million on municipal and state tax collections

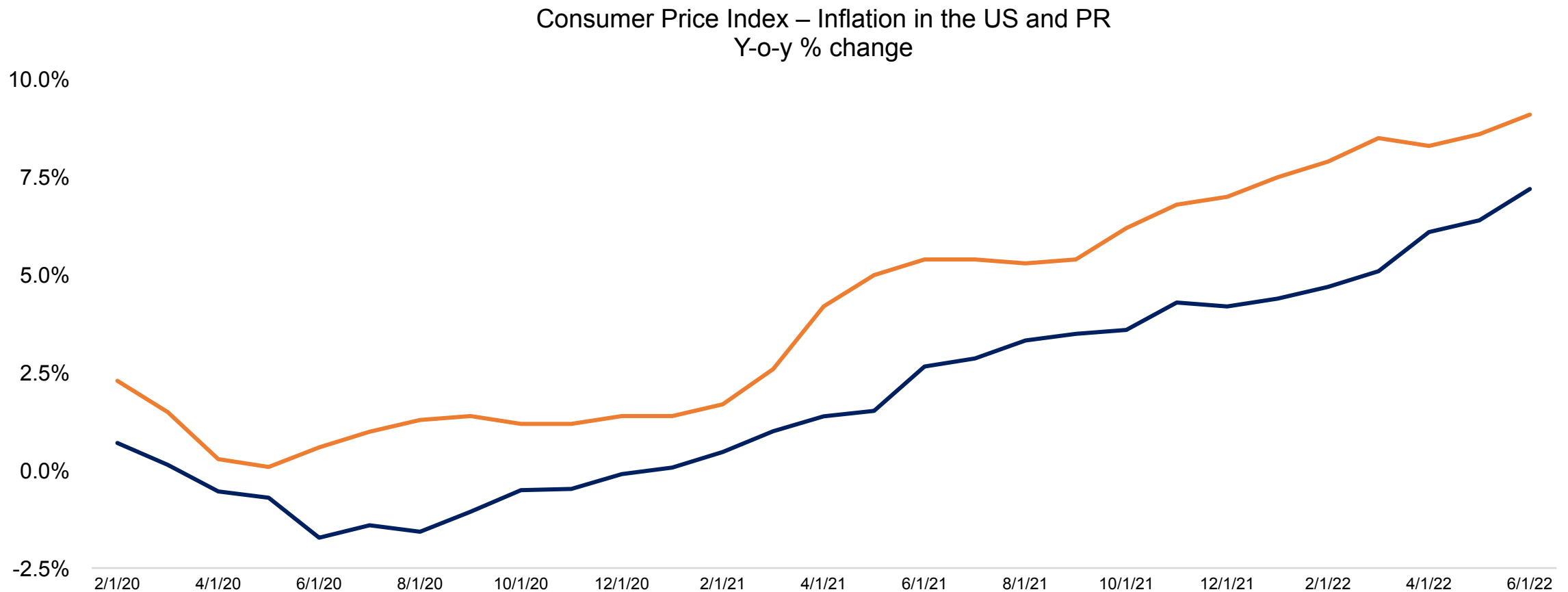
Over \$2 billion on foods imports from U.S. corporations

A multisectoral impact



**The macroeconomic impact of NAP:
Policy options**

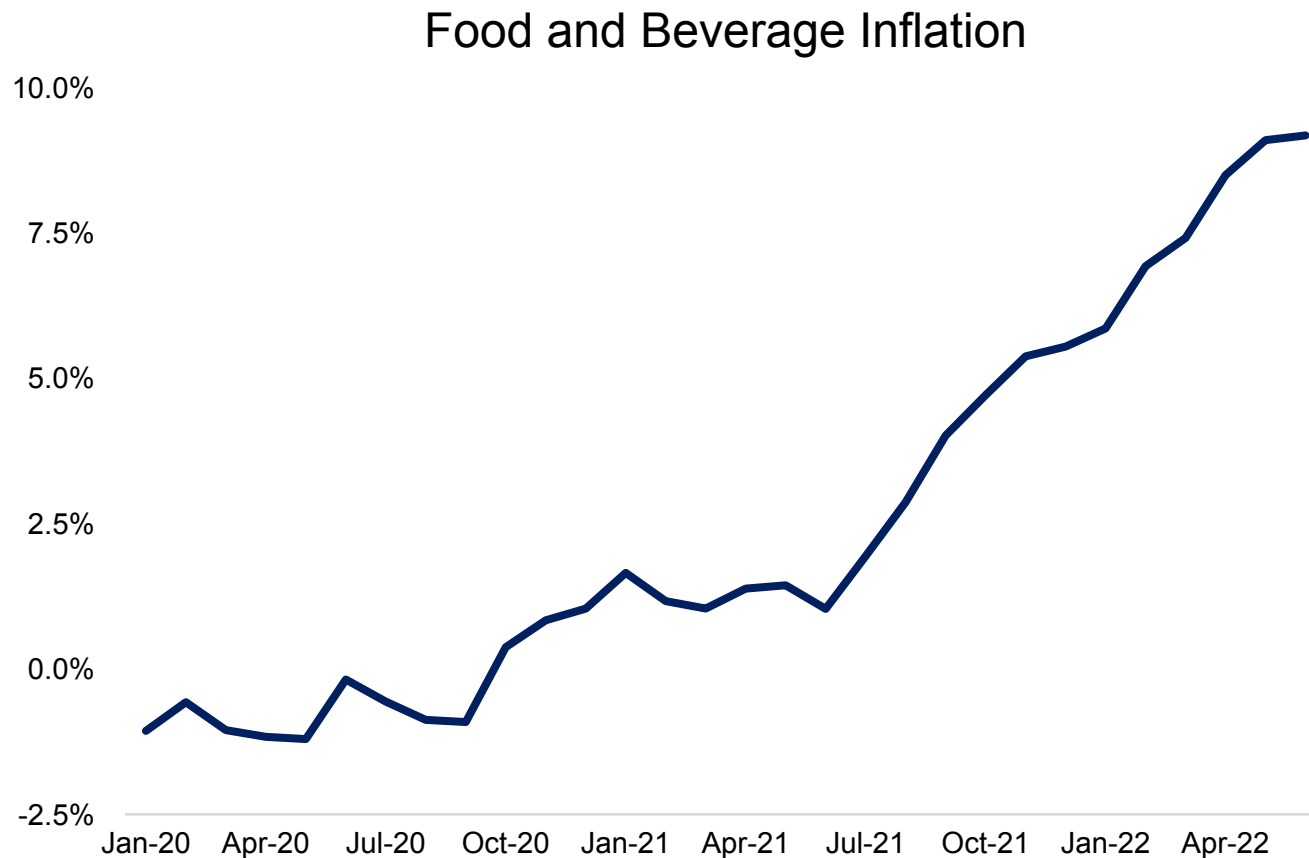
Inflation is hurting low-income consumers



Source: Department of Labor

**The macroeconomic impact of NAP:
Policy options**

Food Inflation



Source: Department of Labor

**The macroeconomic impact of NAP:
Policy options**

Category – June 2022	Inflation
All Items	7.2
<i>Food and Beverages</i>	9.2
Food	10.3
Food at home	11.6
Cereals and its products	14.2
Bakery Products	7.9
Meats, poultry, fish, eggs	13.3
Dairy and related products	12.4
Fruits and vegetables	9.7
Fats, oils, and dressings	21.7
Food away from home	7.7

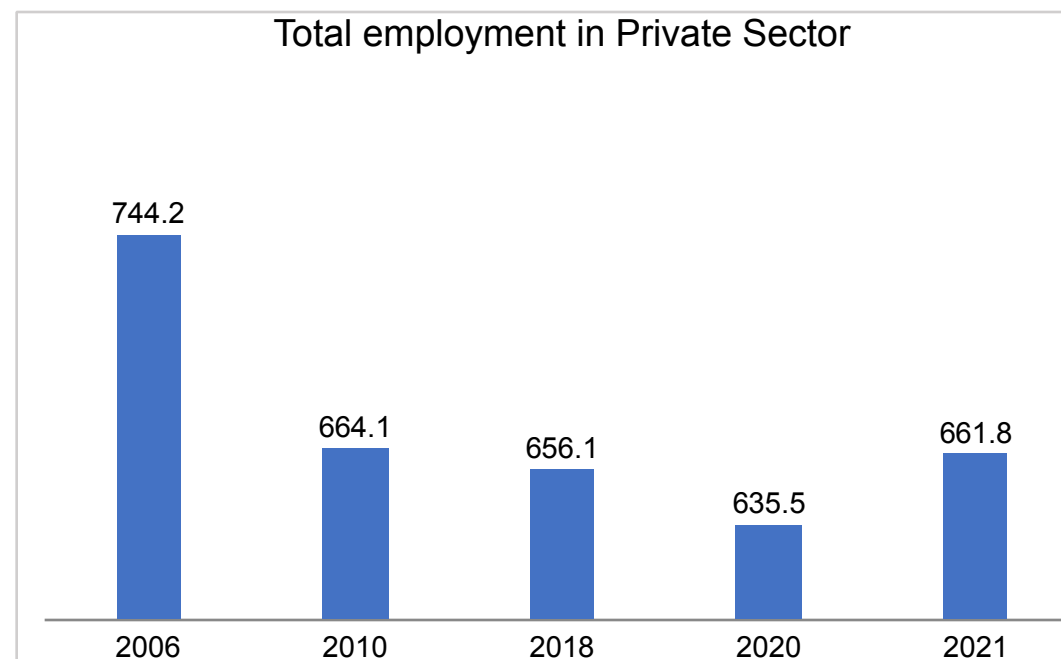
An organized transition from welfare to the labor market to increase employment

Tax reform

Earned Income
Tax Credit

SNAP

Higher minimum
Wage



Source: Department of Labor

Policy recommendations and final remarks

- A decade of struggled for PR with its worst fiscal and economic crisis, worsened by natural events and the pandemic.
- NAP funds have played a significant role in the local economy and multiple industries. Much needed support to disadvantage population.
- The federal discussion towards extending SNAP to Puerto Rico, should consider the current high level of inflation, global food security concerns and migration patterns.
- There is a potential to transition 15% of the current participants to the labor market with SNAP along with income tax credit and a higher minimum wages.

FROM NAP TO SNAP, WHY AND HOW?

Coalition for Food Security Puerto Rico

- Launched in 2018 to engage in efforts on nutrition aid to PR.
- Over 80 organizations: private, non-profits and think tanks. Focused on a bi-partisan effort to engage both parties in Congress.
- Industry leaders in Puerto Rico include manufacturing, banking, shipping, retailers and trade associations.
- Multi-state non-profits and fair share advocacy groups.

Puerto Rico Federal Block Grant Funding

- 1982 transition resulted in a 25% reduction in aid
- The block grant is capped
- PR disasters or emergencies require separate, new appropriations by Congress
- + \$2.0 B in aid if included in SNAP

1981

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founded 1953

**PUERTO RICO
EXCLUDED FROM
SNAP**

Snapshot of Puerto Rico's NAP

\$2.5B in block grant funding

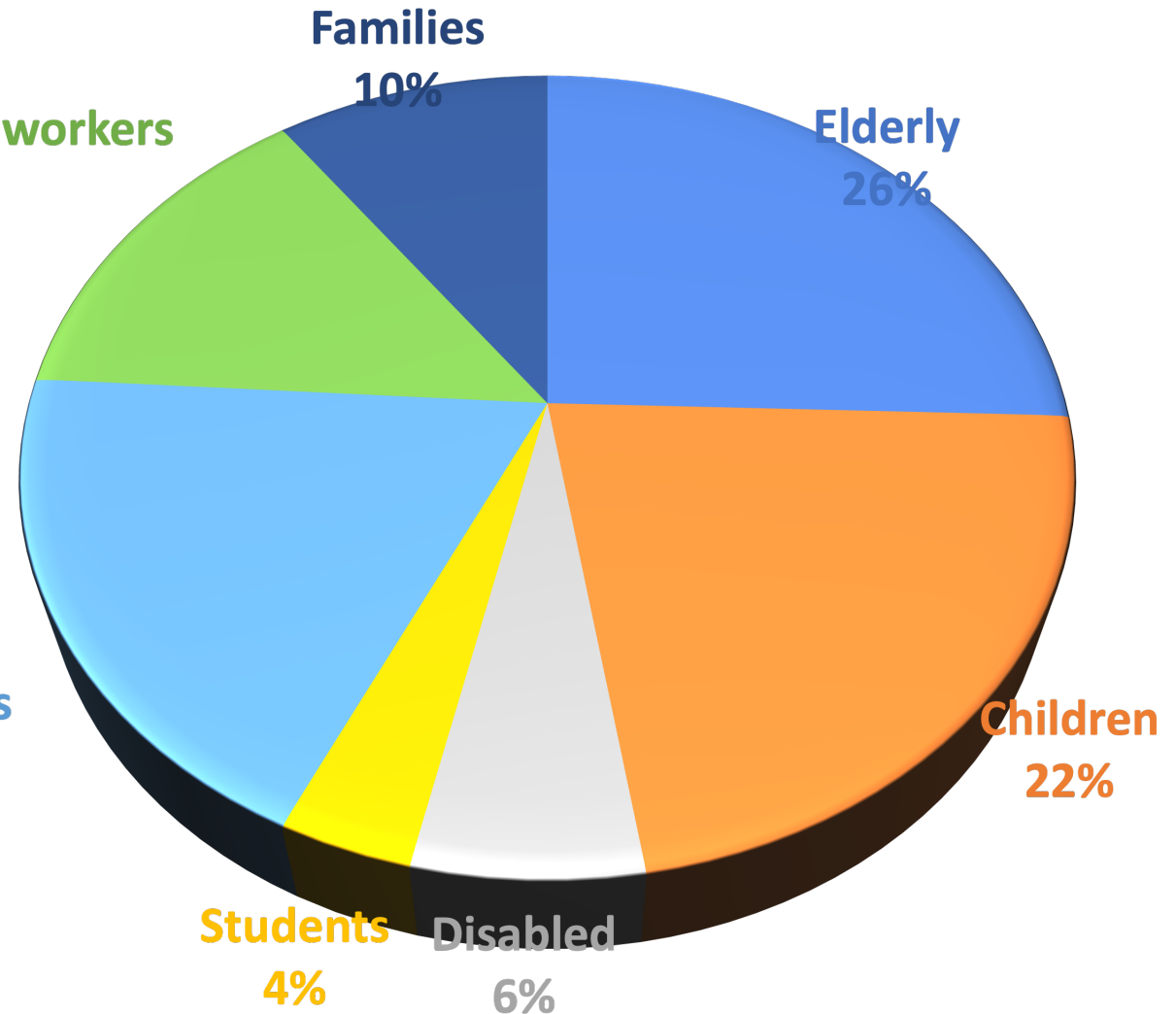
FY23 Appropriations Bill proposes
block grant increase to \$2.63B

1.5 M participants receive some level
of NAP benefit aid

770,000 Households **Able bodied singles**
19%

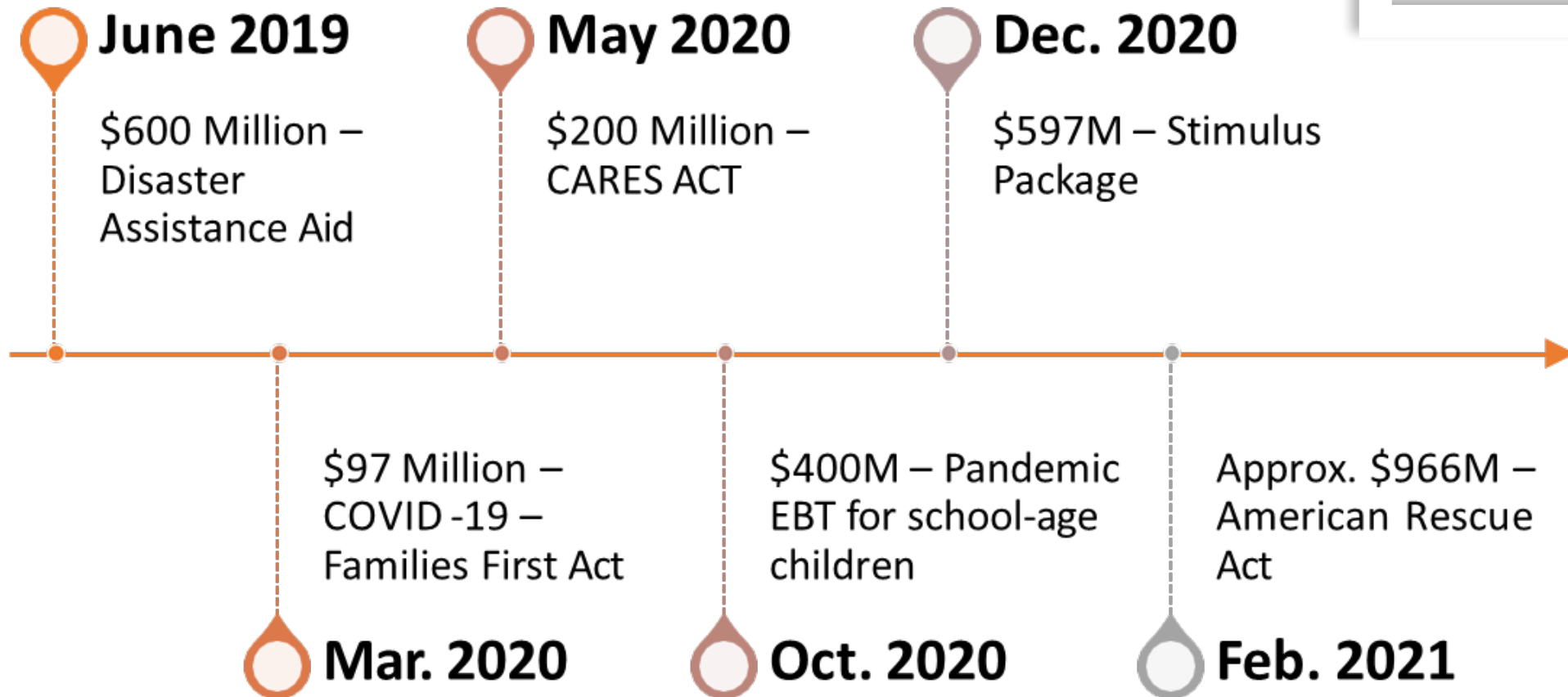
57% women

Low income workers
14%



THE COALITION'S WORK ON NAP FUNDING

\$2.9 Billion





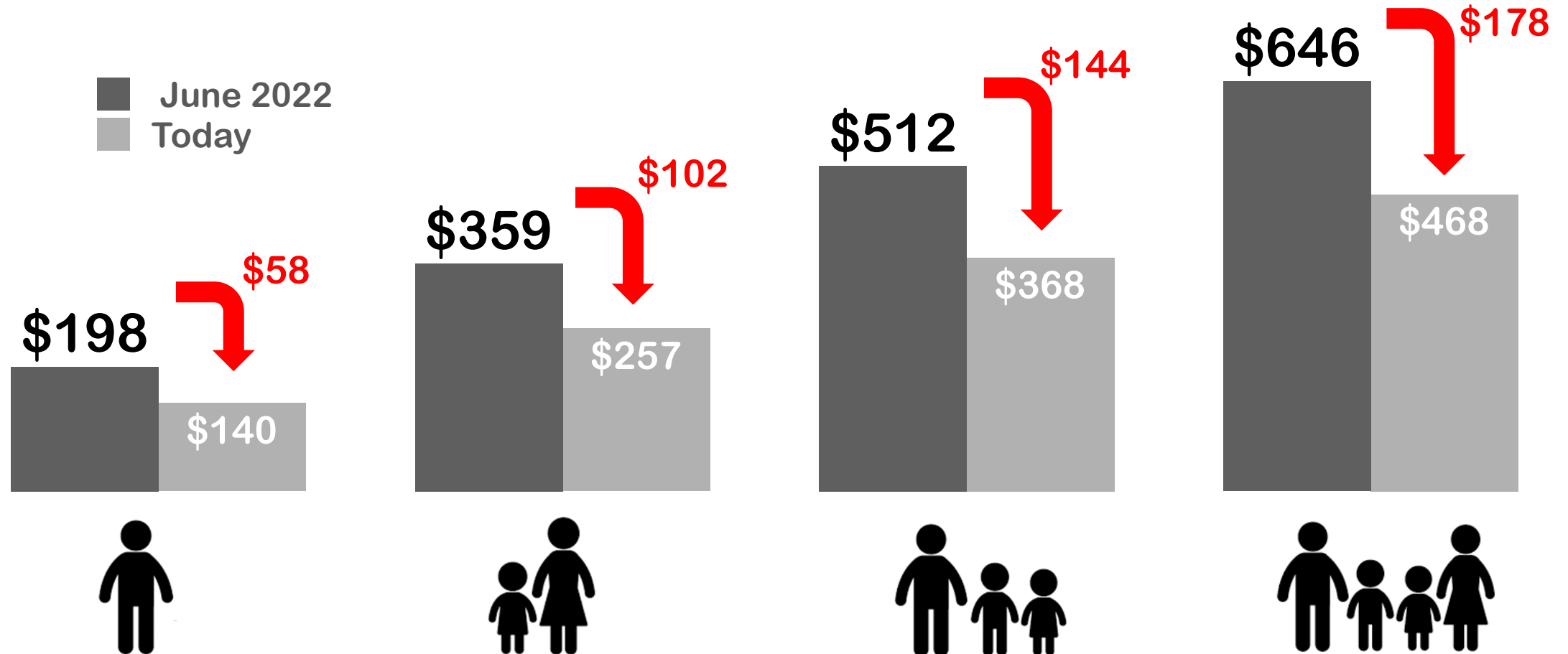
Impact of Loss of ARPA Funding

- The American Rescue Plan act provided an additional \$966M in funding in February 2021
- Funds were used from July 1, 2021 – June 30, 2022
- 23% was the average disparity between maximum monthly benefits for Puerto Rico vs. 48 states & DC (with ARPA funding and Thrifty Food Plan increase)
- Today, the disparity increased to 44% compared to 48 states & DC

44%

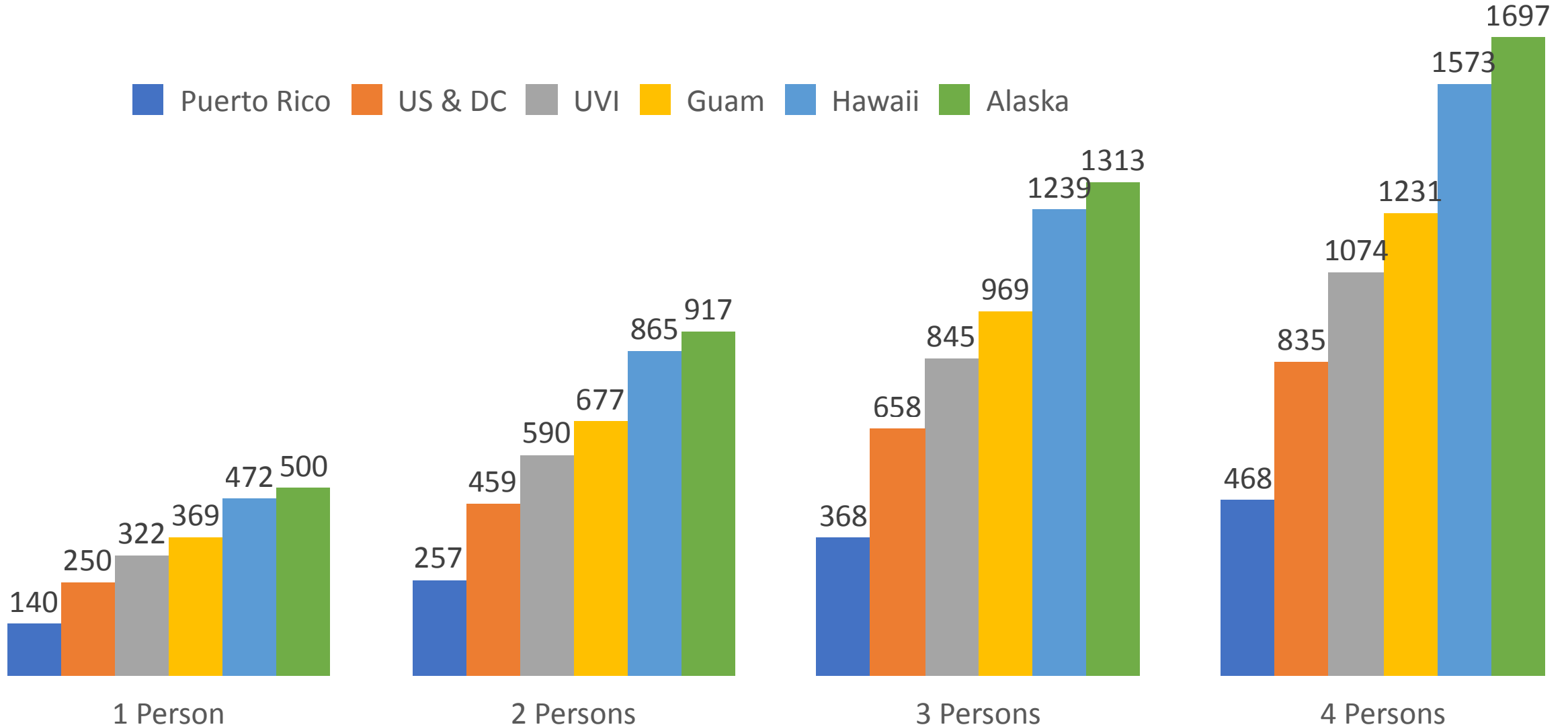
***projected disparity in
July 2022***

NAP TODAY vs JUNE 2022

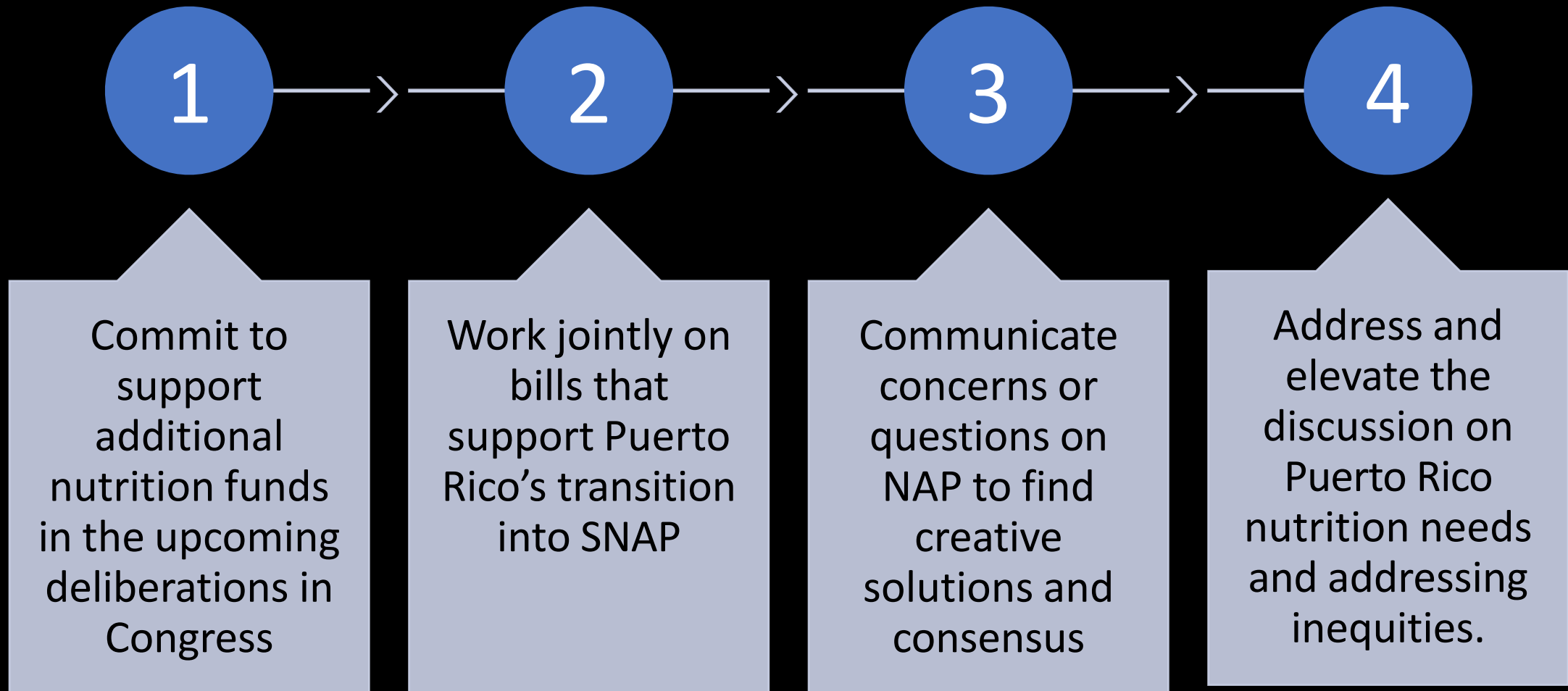


PUERTO RICO NAP vs SNAP STATES & TERRITORIES

AVG MONTHLY MAXIMUM FOR JULY 2022



Next Steps for Puerto Rico's NAP to SNAP





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