



Comments of Jennifer Hatcher, Senior Vice President, Food Marketing Institute

Listening Session on the Healthy Food Financing Initiative

May 30, 2014

Thank you for the opportunity to attend and provide brief written comments on behalf of the members of the Food Marketing Institute (FMI)¹ as part of the listening session on the Healthy Food Financing Initiative (HFFI), Section 4206 of the Agricultural Act of 2014.

Our members are located in every state and every congressional district across the country and operate 40,000 retail food stores in the United States, operating at an industry average profit margin of 1.3%. Unfortunately, there are still communities without access to grocery stores or healthy, low cost fresh food.

FMI and our members have focused on the issue of these underserved areas and both the barriers and opportunities to provide access to healthier foods in these communities.

FMI produced a report, *Access to Healthier Foods: Opportunities and Challenges for Food Retailers in Underserved Areas*², that identified barriers to grocery store development in low access areas as an inadequate demographic base, high investment costs, higher operating costs and food assistance program policies. Additional barriers were union opposition to non-union operators in some communities, regulatory permits and transportation infrastructure. Factors that encourage store development in low access areas were also identified and included economic incentives and grants, support of the local government, utilization of local champions, communication of success stories and innovative ideas and nutrition education of customers. We also looked at innovative ways to provide healthier food in underserved areas including smaller store formats, alternate grocery delivery systems and enhanced transportation options. We are seeing success stories in each of these areas. As you can see, the grants, loans and technical

¹ Food Marketing Institute proudly advocates on behalf of the food retail industry. FMI's U.S. members operate nearly 40,000 retail food stores and 25,000 pharmacies, representing a combined annual sales volume of almost \$770 billion. Through programs in public affairs, food safety, research, education and industry relations, FMI offers resources and provides valuable benefits to more than 1,225 food retail and wholesale member companies in the United States and around the world. FMI membership covers the spectrum of diverse venues where food is sold, including single owner grocery stores, large multi-store supermarket chains and mixed retail stores. For more information, visit www.fmi.org and for information regarding the FMI foundation, visit www.fmifoundation.org.

² <http://www.fmi.org/news-room/news-archive/view/2011/07/20/fmi-releases-research-aid-on-access-to-healthier-foods>

assistance through a federal HFFI will be an important part, but not the only part of this effort as they have been in state projects.

The average store costs \$8 million dollars to build and then requires sustained ongoing sales in order to stay in business.

While there are a number of challenges and opportunities, I want to drill down for a moment on a couple of these under the purview of USDA. First, one of the barriers to food retailers locating in underserved areas was food assistance program policies. We have made many strides with the Supplemental Nutrition Assistance Program (SNAP) both in identifying ways to get licenses for SNAP for stores on opening day and working with USDA and through several states to try to spread the delivery of SNAP benefits across the full month rather than on the first day of the month. This not only helps with supply of fresh product, but also with evening labor needed to allow for full-time rather than part-time jobs. We all still have work to do in this area, but we have good partners at USDA helping us to achieve this change.

The challenges have been much greater with regard to new stores built in food deserts (at price tags well over \$8 million); where those stores are unable to get licenses for the WIC program. California has been the biggest challenge with a moratorium on new WIC licenses that has been in place for several years and is now supposed to be lifted in June. We have also seen other states, with food desert needs also, implement blanket moratoriums on new WIC licenses. These moratoriums are devastating to the effort to combat access to healthier foods. First, the obvious challenge is that the economics will not work if these are the customers you are trying to serve yet you cannot get a license to serve them. Second, if others are considering building a store in a food desert in a state that does not have a moratorium and hear these horror stories from their peers, they will be deterred from making the \$8 million investment out of concern that it could be a ticket to bankruptcy if their state begins a WIC license moratorium before the store is built and opened. Finally, one of the factors we identified as encouraging stores in low access areas was nutrition education of customers. Customers who value and understand nutrition increase the market demand for healthier foods and nutrition education is a key component of the WIC program.

Nutrition education needs and opportunities are critical throughout the population and FMI and our members have really elevated our efforts as have our customers. Our research shows that the majority of shoppers across all age groups put at least a little effort into eating healthy foods; only 6 percent report not trying. Among those customers making the effort, 74 percent of them report eating healthy foods more than half the time, the highest rate since 2007. Nearly 75 percent of customers report that they generally read food labels, and we have worked to make this easier for them with an FMI and GMA industry initiative to put simple labels on the front of packages, called "Facts Up Front." We also have really increased the number of dieticians in supermarket companies and at store level with 85 percent of our surveyed companies utilizing a corporate dietician and 30 percent of our stores utilizing an in-store dietician. FMI has created a

Center for Food Retail Health and Wellness and has realigned the goals and grants from the FMI Foundation to support these efforts in addition to its previous mission of food safety.

While we are making great progress, there certainly are needs; both the financial and policy support, which are critical to continuing to make these strides in improving access and reliance on healthier foods.