

The View from Washington:

*Review of the 115th Congress and
the Trump Administration in 2017*



THE VOICE OF FOOD RETAIL 

Successes in 2017 Help Lay the Groundwork for the Future

The end of the calendar year is a time of reflection for many businesses and for us at FMI and to look at additional opportunities for the upcoming year. We have a number of successes to be proud of this year – a testament to laying the groundwork and continuing down a path in spite of whether you believe at the moment that you will succeed. Many of the victories that we celebrate today, which your companies helped us to achieve, took a lot of work and would not have been considered possible just a short year ago.

Our 2017 achievements are possible due to the hundreds of congressional office visits, store tours, emails and phone calls you made to educate lawmakers on the significance of their actions. We initiated down-to-the-wire litigation to prevent USDA from releasing sensitive SNAP store-level sales data and have prevented the sensitive data release for almost a year. While court action proceeds, we are pursuing a legislative fix. We have advocated for and achieved more time and more clarity to implement FDA's menu labeling rule, which led to the Administration providing a one-year compliance extension and reopening the rule to receive input and make adjustments. The same kinds of examples are important in advancing or defeating state and local initiatives too.

These are just a handful of our collective 2017 achievements, but they tell a story of months (and even years) of investment in shoe leather, building relationships and a proactive membership that understands the importance of participating in the policy process. We look forward to building on this list of achievements to help your companies do what you do best: sell safe, quality and affordable groceries in communities across the country.

Our Mission

- Thoughtful Policy
- Effective Advocacy
- Engaged Members
- Quantifiable Results



Left: Ray Starling, White House Special Assistant to the National Economic Council, spoke to FMI's State Issues Retreat last summer, addressing some of the administration's policy priorities.

Center: FMI board members Rudy Dory, Greg Gregerson and Art Potash before heading to their appointments on Capitol Hill during FMI's annual Day in Washington fly-in in May.

Right: FMI Public Affairs Chairman Todd Schnuck and FMI Government Relations Committee Chair Lorelei Mottese led a joint committee meeting in Washington, D.C. in May.



Tax Reform Law Lowers Corporate Rate, Overhauls Country's Tax Code

Tax reform was a top priority for lawmakers in 2017 and was one of the Trump administration's major legislative victories for the year following passage of the *Tax Cuts and Jobs Act* in the final weeks of December. FMI and the industry celebrated a number of tax related victories throughout the discussions in Congress, including the dismissal of a potential border adjustment tax, estates' and trusts' eligibility for the lowered pass-through rate

and the preservation of LIFO accounting, the Work Opportunity Tax Credit and the New Markets Tax Credit.

The legislation lowers the corporate tax rate to 21% down from the corporate rate of 35% and doubles the estate tax exemption. FMI will remain an active participant as the implementation process moves forward in the months and years ahead. 🛒

“Food wholesale and retail are low margin, high tax industries that have been waiting for just this type of relief to spur investment and create jobs. FMI and its members are anxious to see this legislation implemented as quickly as possible.”



LOCAL IMPACT: Get to Know Your Lawmaker

- FMI board member Rob Bartels, President and CEO, Martin's Super Markets, Inc., hosted a store tour in October with Rep. Jackie Walorski (R-IN) amid tax reform discussions in Washington.
- Rob shared his decades-old four-page tax return to emphasize the need for tax simplicity and relief for small businesses.
- Hosting local events like a store tour is an effective way to educate and maintain relationships with lawmakers at all levels of government.

House Agriculture Committee Chairman Mike Conaway (R-TX) was an active participant at FMI's Midwinter Executive Conference last January. Chairman Conaway addressed an FMI executive board session, learned about new food industry initiatives, such as SmartLabel, and attended our Food Industry Golf Tournament. FMI's golf tournament raised \$150,000 in 2017 to support FMI LEAD, which funds many of FMI's advocacy and coalition efforts.



Hard Work Pays Off: Merchants Cheer the Preservation of Debit Reforms

FMI and our members welcomed a significant victory in May when our efforts to defend the 2010 debit reforms paid off. After months of congressional meetings, letters, phone calls and many other advocacy tactics, House Financial Services Chairman Jeb Hensarling (R-TX) finally listened to the merchant community and removed a provision from his financial reform package that would have repealed the critical reforms that placed price caps on debit swipe fees and introduced routing competition for merchants.

Donuts: Glazed but Hold the Fees

In addition to our more conventional lobbying efforts, we also ran a full-page ad in the Washington, D.C. edition of the *Wall Street Journal* as part of our “Unfair Swipe Fees” campaign. The campaign also included digital media outreach and a morning of handing out donuts outside one of the subway stations on Capitol Hill to emphasize the potential cost and impact of repealing the debit reforms. 🍩

“We are grateful to the many members of Congress who listened intently to their constituents about an incredibly complicated subject - routing and competition in debit card transactions - and understood that competition is critical, that the reforms are working and that they should be maintained.”

PARTICIPATION MATTERS:

- *The hundreds of letters, phone calls, congressional visits and additional grassroots outreach swayed House Republicans to oppose the underlying bill if it repealed the debit reforms.*
- *Some lobbying battles require an extra touch, such as local newspaper op-eds, full-page ads in DC-based publications or our “donut” campaign aimed at congressional staff on Capitol Hill.*



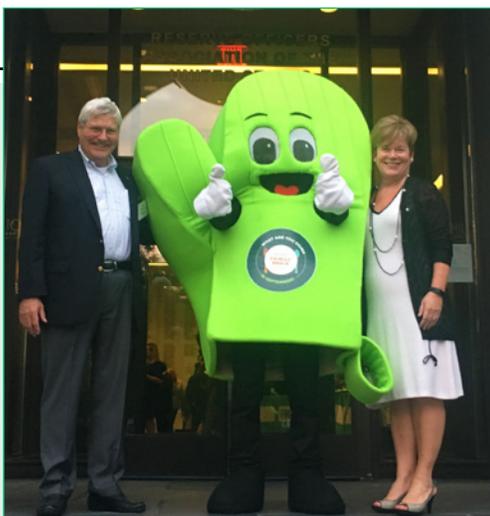
During a joint FMI-GMA summit, FMI moderated a panel of government policymakers that provided perspectives regarding industry-driven digital disclosure methods and weighed in on potential policy trends with regard to labeling and technology. Heading into 2018, we expect rulemaking soon from USDA to establish a national disclosure standard for products containing biotechnology. FMI has been helping our members prepare for the upcoming implementation as we await the release of a proposed rule.

Menu Labeling Delay Provides Industry with Needed Implementation Time

FDA listened to FMI’s concerns and provided a one-year compliance extension of its menu labeling regulation, just hours before its previously scheduled May 2017 enforcement date. Food establishments now have until May 7, 2018 to finish implementing the requirements of the menu labeling rule, parts of which still require further clarification and guidance from the agency. Despite the release of FDA supplemental guidance in November, there are still parts of the regulation that remain confusing

for member companies, which further reinforces the need for a legislative solution.

FMI has strongly supported the *Common Sense Nutrition Disclosure Act* to provide companies with liability protection, flexibility on signage, and protect those foods that are sold at less than 20 locations. FMI continues to pursue all additional legislative solutions as the compliance date approaches in May 2018. 🛒



PROMOTING FAMILY MEALS:

- FMI board member Tim Devanney, President of Highland Park Market, Inc., celebrating the importance of family meals with Mitty and FMI’s Leslie Sarasin.
- FMI hosted a “Congressional Cookout” in September to honor our National Family Meals Month™ program with members of Congress and congressional staff.
- NFMM was established by the FMI Foundation to raise awareness of the benefits of frequent family meals.

Setting the Table for Economic Growth



The food retail industry employs Americans young and old, and enriches all lives by providing nutritious, safe, and affordable food. Food retailers contribute nearly five million jobs to the economy. But for every person we employ, food retailers pay roughly \$32,000 in taxes. **Food retailers need tax relief to continue setting the table for economic growth.**

FMI



THE VOICE OF FOOD RETAIL

Feeding Families  Enriching Lives

FMI.ORG/GrocersImpact

#GrocersImpact

In October, FMI released an economic analysis of the grocery industry, which highlighted food retailers' significant contributions to federal and state economies and communities across the country. Our grocery industry economic impact report found that food retailers employed roughly **4.8 million workers** and produced more than **\$363 billion in economic activity** in 2016. Food retailers paid nearly **\$168 billion in wages** to their associates throughout the operations of a grocery store.

We highlighted these considerable figures in the above full-page ad in the Washington, D.C. region print edition of the *Wall Street Journal*. The release of the economic report coincided with congressional action addressing the country's critical need for tax reform. As lawmakers began to unveil tax reform frameworks, we wanted to emphasize that our industry's heavy tax burden in an already low-profit margin sector creates an unnecessary obstacle for food retailers to hire new employees, raises wages and reinvest in our businesses.



FMI members Kate Coler, Albertsons Companies; Tres Bailey, Wal-Mart Stores, Inc.; and Matt Perin, The Kroger Co.; with Secretary of Agriculture Sonny Perdue (center) and FMI's Jennifer Hatcher at the Friends of the National Arboretum (FONA) annual "Dinner Under the Stars" in June. The dinner hosts representatives from government and business to support programs at the National Arboretum. Secretary Perdue was sworn in to head the Department of Agriculture in April.

SNAP Policy Will Remain in Focus as 2018 Farm Bill Discussions Begin

We can expect discussions related to the Supplemental Nutrition Assistance Program (SNAP) to continue into 2018 as farm bill negotiations get underway, which reauthorizes agriculture and nutrition programs. FMI spent the last few weeks of the year fighting back against a SNAP processing fee that a merchant processor began charging to some of our members. FMI retained counsel, stating that the fee is unlawful, and we continue to explore all legislative, legal and regulatory options to oppose these fees.

We took legal action in January 2017 to prevent

USDA from releasing sensitive SNAP store-level sales data, which has prevented data release for almost a year. While we await action from the courts, we are pursuing a legislative solution to protect this sensitive business information. There have also been challenges to SNAP-eligible items at the state level. Some states are requesting waivers that would allow them to restrict SNAP purchases from products like candy or sodas. FMI has outlined the challenges and burdens of such restrictions with USDA and contacts within the Trump administration in order to protect the efficacy of SNAP for our member companies. 🛒

TESTIMONY: FMI on Capitol Hill

- *FMI president and CEO, Leslie Sarasin (right), testified before the House Agriculture Committee in February on the challenges of SNAP purchase restrictions.*
- *FMI's Jennifer Hatcher testified on SNAP in the Agriculture Nutrition Subcommittee in March to discuss the future of the program and how the next round of farm bill negotiations could shape nutrition policy and food assistance programs.*



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