



February 24, 2022

The Honorable Lina Khan
Chair
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

Re: Solicitation for Public Comments on the Impact of Supply Chain Disruptions on Competition in Consumer Goods and Retail; Docket FTC-2021-0068

Dear Chair Khan:

On behalf of FMI – The Food Industry Association, we submit the feedback contained below in response to the Federal Trade Commission’s (FTC) solicitation for public comments on the Impact of Supply Chain Disruptions on Competition in Consumer Goods and Retail. FMI welcomes the opportunity to provide you with resources and insights regarding the issues related to cost increases and supply chain challenges being experienced throughout the U.S. economy, including the impact that food prices have on consumers. We also appreciate the opportunity to comment on larger supply chain challenges that the FTC should consider as you work toward better understanding both current and future supply disruptions.

As the food industry association, FMI works with and on behalf of the entire food retail industry to advance a safer, healthier, and more efficient consumer food supply chain. FMI brings together a wide range of members across the value chain — from retailers that sell to consumers, to producers that supply food and other products, as well as a wide variety of companies providing critical services — to amplify the collective work of the industry. FMI’s membership includes nearly 1,000 supermarket member companies that collectively operate almost 33,000 food retail outlets and employ approximately 6 million workers throughout the supply chain.

The top priority of America's food retailers and manufacturers is and has always been to deliver safe, affordable, nutritious food to communities across our nation. The challenges caused by the COVID-19 pandemic have been extraordinary. Thanks to the dedication of our supermarket associates, the farmers and manufacturers who supply





food and goods, the enhanced federal support for families via the SNAP, pEBT and WIC programs, and the COVID vaccines administered by our member company pharmacies, we are making positive strides against this illness and the challenges it has caused. Getting to this point has required dedication and significant investment. As an essential industry committed to feeding families and serving our communities, the food industry has worked tirelessly to provide a safe environment for our customers and our associates and to ensure our doors stayed open and our shelves remained stocked. Food retailers invested more than \$24 billion at the beginning of the crisis related to safety precautions, increased benefits for workers, new technology to meet changing consumer demands such as contact-less ordering and delivery, and more. Food manufacturers also took on significant financial investments to improve worker safety, from the implementation of unique barriers to promote distancing on manufacturing lines to health screenings and additional employee benefits to promote vaccination. Additional resources are invested every day with safety in mind.

As noted in FMI's [Supply Chain Fact Sheet](#), the COVID-19 pandemic transformed almost every aspect of the food industry including the ways customers shop and consume their meals. At the beginning of the pandemic, consumer demand for groceries jumped 50% almost overnight to unprecedented levels as consumers embraced the idea of cooking their own meals at home. Increased demand for groceries has continued during the pandemic, straining the supply chain, and causing shortages of certain items. Although manufacturers have worked tirelessly to keep lines running and meet this additional demand, many of the challenges leading to shortages are beyond the control of our manufacturing members. For example, shortages in packaging materials and inks, struggles with ingredient supply from sources in hard hit regions, natural disasters and weather-related events, and backups in transportation and warehousing are just a few of the outside supply chain factors impacting manufactures. Additionally, demand for alternative shopping options such as online ordering, curbside pickup, and home delivery has similarly grown exponentially. We encourage the FTC to fully consider the changing food retail landscape and the evolution of consumer demands as it looks to understand the causes and solutions to recent and future supply chain disruptions.

Our industry has invested heavily in technology to expand consumer access to food during the pandemic, including \$450 million to accommodate customer demand for increased online shopping options and more than \$1 billion in delivery services and





partnerships to offer a wider array of home delivery and curbside pickup options – including for families utilizing the Supplemental Nutrition Assistance Program (SNAP).

Today, almost two-thirds of adults in the U.S. shop for some groceries online. This shift to online and omnichannel shopping has been beneficial to many consumers, as shoppers can more easily compare prices at different stores to find the best value. Increased consumer choice has increased competition in the food retail sector, which helps keep prices as low as possible.

Unfortunately, it has also been widely recognized that the COVID-19 pandemic and other factors have increased inflation, resulting in a cost increase for almost all consumer goods, including some items at the grocery store. Food retailers and manufacturers are doing everything they can to absorb these cost increases even as they work to protect their workforce and customer base. With average annual profit margins among the lowest of any business organizations in the economy, at less than 3%, and a highly competitive marketplace, food retailers are struggling to absorb these additional costs while remaining in business and competitive. Manufacturers have similarly worked hard to honor existing contracts and prices, even with increasing costs of production. Despite inflationary pressures, the food industry continues to work diligently to keep prices as low as possible for their customers. In fact, according to [FMI Grocery Shopper Trends](#), after a dynamic rise in 2020, weekly spending on groceries remained stable through 2021.

Widespread labor and transportation shortages, higher fuel and energy costs, greater costs for sanitation and protective measures for both employees and customers, increased swipe fees on credit card purchases, and increased consumer demand are additional factors that have caused the price of food, and non-food goods, to increase. Ultimately, these issues are unlikely to fully abate as the COVID-19 omicron wave subsides, as inflationary pressures and supply chain bottlenecks will take time to recalibrate. We encourage the FTC to fully examine the challenges faced by the entirety of the supply chain, as each element can have significant effects on the supply and prices for the ultimate consumers. This should include an analysis of every element of the supply chain including, but not limited to, farming and ingredient supply and demand, transportation including both domestic and international imports, processing issues, warehousing, retail, increased swipe fees on credit card purchases, and payment and delivery of end goods.





FMI has developed several resources that provide deeper dives into some of the causes of food price increases that we hope will prove insightful. First, FMI launched a web experience developed in collaboration with California Polytechnic State University called [*The Fundamentals of Food Prices: Costs, Consumer Demand, and COVID-19*](#). This interactive resource explores the COVID-19 pandemic's impact on operational costs for the industry and explains both how the food supply chain works, and ways consumer prices may be affected by different links in the chain. FMI also published a [food prices fact sheet](#) that explains labor and [supply chain](#) disruptions impacting the cost of food, as well as tips for consumers to help them save money when grocery shopping. Additionally, FMI produced a one-page [infographic](#) exploring how key ingredients in an American classic – the peanut butter and jelly sandwich – are impacted by current disruptions to raw materials, production, packaging, transportation, and labor.

Thank you for the opportunity to share FMI's perspective and resources regarding our industry's efforts to keep food prices as affordable as possible while keeping our workforce and customers safe.

Sincerely,

A handwritten signature in black ink that reads 'Christine Pollack'.

Christine Pollack
Vice President, Government Relations
FMI – The Food Industry Association

