



March 31, 2021

Submitted via the AMS online portal

Re: USDA Seeks Comments on Food Purchase Program

Dear Sir or Madam,

FMI- The Food Industry Association thanks the United States Department of Agriculture (USDA) for the invitation to share thoughts and comments on the Agency's Farmers to Families Food Box program. The food industry shares the Agency's commitment to ending hunger in America and eliminating food waste.

Early in the pandemic, the food supply chain was tested in ways we could not have imagined. With the restaurant and food service industry virtually shut down overnight, farmers quickly saw a dramatic shift in the market that left many without access to customers for their commodities. FMI worked closely with growers, manufacturers, the Food and Drug Administration (FDA), USDA, and other regulators to find opportunities to redirect product that was originally produced for restaurants to the grocery aisles, all while maintaining necessary food safety protocols and labeling requirements. This herculean effort was all done while the entire food industry was quickly adapting to the changing needs of shoppers and implementing evolving store sanitation and safety measures.

As retailers, we also experienced significant inventory challenges in certain commodities early in the pandemic. Frozen and canned vegetables, for example, are often picked and processed only once a year. We heard from some of our retail members that they sold out of an entire year's worth of inventory in just a few weeks as customers stocked up for the pandemic.

But ever resilient, our members worked hard to quickly pivot and help fix the gaps that emerged in the supply chain. For example, one FMI member worked with a supplier of fresh green beans in Florida and connected them with their private label manufacturer for canned vegetables. Typically, in separate supply chains, this helped the retailer fill an





inventory gap, but more importantly, it helped a farmer find an outlet for his crop in a way that did not exist before.

We also heard that retailers worked with suppliers to find outlets for other types of products that would normally have gone into the restaurant and food service streams. One retailer, needing to get more supply of any protein they could get their hands on, worked with their chicken suppliers to create a 10-pound box of chicken wings for the retail shelf. While that would normally be an unusual package size for a retailer to sell, there was excess capacity in the market at the time because of the closure of many restaurants across the U.S.

While much product was able to be redirected to the stores, many farmers continued to face challenges to getting their product into market. The food industry helped respond to the need in communities across the country. A southeast supermarket chain created a program where it purchased excess fruits, vegetables and milk from local producers and donated it to the local food bank. Originally launched in Florida last April, by July it had expanded to the other states in its operating area and had purchased and donated more than 5 million pounds of produce and 350,000 gallons of milk. Projects like the one described above specifically identified a need and addressed it as efficiently as possible and are a wonderful model of targeted and direct relief.

Private market solutions like those highlighted above ran parallel to various state and federal programs. Most notably, SNAP, the Supplemental Nutrition Assistance Program, responded as designed to ensure families could continue to put food on their tables. As you know, the grocery industry is the private partner with the federal government serving as the redemption point for SNAP beneficiaries. The program was designed to be able to ramp up quickly in times of need and caused almost no disruption in-store which allowed families to redeem their benefits where they shop for groceries regardless of how they pay. SNAP participation increased by over 14%, or six million people, from February to September 2020. Congress and USDA took extraordinary efforts to increase and maximize benefits for families, and the investment paid off. Of the \$78 billion in SNAP spending last year, over 95% went directly to benefits. The program proved to be flexible and extremely efficient even in the most challenging of circumstances.





The SNAP work did not end with increased participation and benefits. The Agency and industry worked closely to improve access along the way. Prior to last March, USDA was rolling out a SNAP online pilot in a few states. By the end of 2020, 47 states and the District of Columbia had enabled SNAP online. While this was great and shows quick progress, much work remains on increasing the number of authorized online SNAP retailers. The process and the technical requirements for a retailer to become authorized to accept SNAP online are challenging and complex. Retailers have been sharing best practices and lessons learned amongst themselves, however, many challenges remain. FMI is looking forward to USDA implementing the provisions from the recently signed into law *American Rescue Plan Act of 2021*, which allocates resources for the Agency to provide technical assistance to retailers. FMI stands ready to work with the Agency as it moves toward providing technical assistance to any retailer wishing to be authorized for SNAP online.

FMI and our members have worked closely with lawmakers and the Agency to authorize and implement the P-EBT program. The program addresses a direct need for children who would typically receive free or reduced-price school meals but were missing them due to school closures. As designed, P-EBT runs on the SNAP platform, and therefore required no programming or investment from a retailer beyond their existing SNAP licensing requirements. P-EBT utilizes the same protocols, restrictions and security measures as SNAP and has proven to be a very useful tool to ensure children remain fed even when not in the school building.

These programs and efforts have directly and efficiently helped tackle hunger during a very challenging time. While these have been successful, FMI recognizes there is always more to be done and believes that the Farmers to Families Food Box program could be tailored to efficiently address specific needs while not causing any market disruptions.

FMI appreciates and supports the underlying goal of the program to identify excess commodities and deliver them to those in need, however, the program has expanded beyond just excess. Many grantees have transitioned and are now competing with food retailers for products. Even more concerning, FMI has heard from retail members about grantees who cannot access enough product to fulfill their contract, offering to buy products, such as cheese, milk, canned products and even fresh vegetables, from the retailer. FMI has significant concerns about the impact this shift in the food box program





is causing. Many retailers simply cannot match the wholesale price grantees are able to offer using government dollars. Even more concerning is the impact this could have on SNAP and other low-income customers. Higher wholesale prices coupled with increased investment in enhanced cleaning and safety protocols could result in higher shelf prices in the store, reducing the buying power for families at the worst possible time. Simply put, a government subsidized commodity purchase program should not have a deleterious impact on the availability or price of food retailers need to source for their customers. The program should not be competing with private industry, particularly if it results in higher costs for consumers.

FMI is also concerned with other unintended consequences like the possibility of increased food waste. The food boxes include commodities selected by the government and grantees, not reflecting consumer demand or dietary restrictions. The grocery industry prides itself on transparency and helping the consumer make food selections reflective of their individual family needs. The food industry provides these services to all their customers regardless of how they pay, be it cash, check, SNAP or debit/credit. Over the past decade, grocers have hired dietitians, nutritionists, in-store chefs and pharmacists to assist customers in making food selections. These services are keenly important when a customer is newly diagnosed with health conditions and diseases that may require changes to diet. As we previously mentioned, SNAP allows the customer to continue shopping at their neighborhood store and make choices for foods that meet their specific needs. Unfortunately, the food boxes eliminate that choice and ignore the need for individualization for consumers. As an example, a family may receive a jar of peanut butter, but the children all suffer from allergies and are unable to consume the product. Food allergies and intolerance impact millions of U.S. families, and while the food boxes do not allow for customization, SNAP has and continues to do so without increasing the cost or burden of administering the program.

As retailers and grocery distributors, our members are required to comply with several federal, state, and even local food safety and food handling regulations. Many FMI members also have in place third-party food safety audit requirements for their supply chains. However, it was not clear that many of the food box program grantees had appropriate food safety systems and process controls in place to ensure the safety and integrity of the foods in the boxes.





FMI would like to work with the Agency to identify more efficient ways to address the core issue, excess product and feeding those in need. As mentioned earlier, SNAP is incredibly efficient with an unbeatable benefit to administrative cost ratio. This should be a model and aspiration for all government spending programs.

One idea would be to pilot a program in select states partnering the state departments of agriculture with local grocers to identify when there are excess commodities and find ways to bring them either into commerce for sale or donation to local feeding programs. These pilots would allow partnerships to try different models, compare efficiencies, successes and cost to both industry and government.

We would also encourage USDA, in its review of food supply chains, to identify manufacturing and processing capacity for food commodities, as well as identify ways to find excess production at the farm level. Having a mechanism to quickly link commodity producers with processors and manufacturers could also help alleviate food waste. Doing so would align with the USDA's goals of creating a more resilient food system in the United States.

Thank you again for your commitment to addressing hunger in America. We firmly believe this is a problem we can and must solve by working together. As with other successful programs, it will require all parties working together toward the common goal. Please don't hesitate to contact me with any questions at hwalker@fmi.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Hannah Walker', written in a cursive style.

Hannah Walker
Vice President, Political Affairs
FMI

