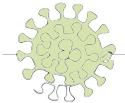


Supply Chain In Focus: Challenges Facing The Grocery Supply Chain

Since the onset of the pandemic, supply chain disruptions have challenged food retailers' ability to keep shelves stocked and prices as low as possible.



The pandemic transformed almost every aspect of the food retail industry – from the way consumers shop for groceries and consume their meals to how food is grown, produced and transported to supermarket shelves, to our ability to staff our stores and serve our communities.

Food retailers continue to shift and adapt to meet our shoppers' needs.



In the early weeks of the pandemic, when many were uncertain of how long lockdowns would last, consumers turned to their neighborhood grocery stores to stock up on essentials.

At the start 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.

This surge of demand strained the supply chain and caused shortages of household staples throughout the country.

This demand has not abated, and consumers continue to eat more meals at home – breakfast, lunch, dinner and snacks – than at restaurants.



Average household weekly spending has held steady at **\$144**, which is down from the **\$161** we witnessed at the height of the pandemic last year.

For context, in 2019, average weekly spending at the grocery store was \$113.50. This was also a time when inflation was relatively low, and other supply chains – like restaurants – were competing for that share of the food dollar.

To meet this demand and serve their communities amid the pandemic, grocers invested **\$24 billion** to keep their doors open and employees and customers safe.

Still, almost one-half of shoppers (**46%**) reported that they noticed some products were not available in their grocery stores.

Their perceptions weren't wrong. The initial shock of the pandemic affected every stage of the supply chain – from producers to distributors to retailers.

These challenges continue to reverberate today, and shoppers may see disruptions. These issues can be difficult for grocery stores to predict, as they're often regional and inconsistent. Thank you for your patience as we adapt.



Although almost one-half of shoppers have some concerns about rising food prices and out-of-stock items, their level of concern has not increased since the summer.

Slightly more than half (58%) of shoppers have expressed concern about food shortages for the holiday season.

Food retailers support shoppers by suggesting how to plan meals, stretch their budgets further, or recommend different meals, recipes, and ingredients that they might be able to substitute for traditional holiday options.



A combination of several supply chain challenges – from labor and transportation shortages to extreme weather – are likely to persist and result in some price increases at grocery stores as our supply chain reaches equilibrium.

While the global supply chain is affected by a confluence of factors – materials and ingredients; labor; equipment; transportation logistics capacity; inventory control; cost pressures; and weather-related events – we empathize that the ramifications are much more pronounced for grocery shoppers given their relationship with food and consumer products.

The good news is that there is a healthy supply of food in the system, but labor shortages at every stage of the supply chain are challenging some grocers' ability to bring some products to the shelves.



Like almost every industry in the U.S. economy, food retailers are reporting worker shortages driven by a host of factors, including childcare responsibilities, health concerns, and difficulty recruiting and retaining workers.

According to FMI's annual **Food Retailing Industry SPEAKS** survey, 80% of responding retailers said their inability to attract and retain quality employees is having a negative impact on their businesses.

To address and attempt to offset the labor challenges of the past 18 months, retailers have offered a combination of higher wages, bonuses, improved benefits, flextime, and training and skills development opportunities.

These challenges are by no means exclusive to the food retail industry, as we have seen the impacts of a disrupted supply chain and labor shortages touch every sector of the economy.



In-demand products are often sitting idly in warehouses because there aren't enough truck drivers to distribute food throughout the country, resulting in empty store shelves – even though no actual product shortage exists.



According to data from the Bureau of Labor Statistics, in the depths of the pandemic, the truck transportation industry lost **6%** of its 1.52 million workers.

As of July 2021, the industry was still more than 33,000 jobs short of pre-pandemic employment levels. This is on top of the nation already facing a shortage of more than 60,000 drivers as of 2018, **according to the American Trucking Associations.**

The cost of raw materials used to produce some popular products are also increasing due to labor shortages and have been exacerbated by extreme weather events, higher fuel costs, and backups at ports.



Inflation continues to weigh on economic growth, but global analysts and economists suggest that we could see relief in 2022.

Ingredient suppliers are experiencing longer lead times due to lack of staffing, lack of truck drivers, and pandemic-related backups at ports.

According to some industry experts, these conditions have delayed lead times anywhere from eight to 12 weeks, stalling food manufacturers' ability to fulfill product orders.

Producers and retailers are also still experiencing lingering effects of severe ice storms that hit Texas this past winter, which caused major losses of cattle, chicken flocks, oranges, and corn and grain crops, and have led to increases in wholesale prices for those commodities.

Increasing fuel costs are also a leading factor affecting the overall price of food at grocery stores.

According to **EIA's Gasoline and Diesel Fuel Update**, U.S. gas prices continued to increase throughout 2020 and 2021 due to higher crude oil prices and higher wholesale gasoline margins.

Food retailers understand that any cost increases or product shortages can be challenging for families, and grocers are doing everything they can to manage the supply challenges and keep prices low.



Although consumers will experience some price increases and product shortages in the coming months, grocers are committed to keeping prices as low as possible while keeping shelves stocked, doors open, and everyone safe.



Retailers recommend smart budgeting and meal planning so that consumers can save at the checkout counter.

Plan as many meals as possible as far in advance as you can. Scheduling meals cuts down on food waste, makes it easier to set a weekly or monthly grocery budget, and saves money by helping you only purchase what you need and allowing you to buy in bulk for staples to cook at home.

Sign up for your grocery store loyalty program and download your grocers' app to receive alerts on sales, deals and coupons when they are available. Knowing the prices of items before you go to the store will help with meal planning, budgeting and making a grocery list that fits your budget.

Consider buying grocery store brands, which often taste just as good and offer more product at a lower price compared to brand name items.

The vast majority of shoppers continue to be very satisfied with their primary grocery store's response to the COVID-19 pandemic.



Most shoppers continue to say their primary grocery store is on their side in helping them stay healthy.