The food retail industry invested $24 billion at the start of the crisis in pandemic-related expenses to keep stores open, shelves stocked, and associates and customers safe.

**The Food Retail Sector Continues To Cope With A Variety Of Challenges**

- Shifts in consumer shopping and consumption habits
- Disruptions to the global supply chain
- Inflationary pressures that have increased costs for production, distribution, and retail
- Labor challenges, including high turnover and difficulty recruiting new talent

Two-thirds of Americans say that they have felt the impacts of inflation. The biggest impacts have been felt at the grocery store and the fuel pump.
Initial demand for groceries jumped **50%** at the start of the pandemic to unprecedented levels.

The shift in consumer demand has evolved from short-term stocking-up to broader lifestyle changes like shoppers cooking more meals at home.

Persistent demand has resulted in some out-of-stock items in the short-term, but this dynamic is largely related to transportation challenges – like shortages in trucking capacity and drivers – not a lack of food in the system.
Labor Shortage

Products often sit idle in warehouses because there aren’t enough truck drivers to distribute food.

The ongoing truck driver shortage has risen to **80,000**, an all-time high for the industry.

80% of food retailers say their inability to attract and retain quality employees is negatively impacting business.
A variety of factors are contributing to elevated food prices in 2022, although the cost of most staples has fallen from their pandemic highs.

**Consumer Price Index For Food**

<table>
<thead>
<tr>
<th>Month</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 2021</td>
<td>0.9%</td>
</tr>
<tr>
<td>Oct 2021</td>
<td>0.9%</td>
</tr>
<tr>
<td>Nov 2021</td>
<td>0.7%</td>
</tr>
<tr>
<td>Dec 2021</td>
<td>0.5%</td>
</tr>
<tr>
<td>Jan 2022</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

**Average Household Grocery Spending**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$113.50</td>
</tr>
<tr>
<td>Spring 2020</td>
<td>$161</td>
</tr>
<tr>
<td>2021</td>
<td>$144</td>
</tr>
</tbody>
</table>

**USDA ERS Predicted Food Prices For 2022**

- Food-at-home: ↑ Up 1.5% - 2.5%
- Food-away-from-home: ↑ Up 3.5% - 4.5%
FOOD RETAILERS EMPATHIZE WITH SHOPPERS AND ARE DOING EVERYTHING POSSIBLE TO KEEP PRICES LOW DESPITE INFLATION

Food Retail Industry Profit Margins

1% – 2%

Competition in the grocery sector is fierce, which keeps prices down.

Inflation has also caused prices for producers to increase, causing food retail margins to shrink.
A.I., machine learning, and data analytics reduce inefficiencies and automate decision-making. Striking balance between just-in-time and just-in-case supply chain models. Expanding capacity to grow crops in other parts of the U.S. through concentrated vertical farming and greenhouse production.
U.S. businesses and consumers combined to throw away 25% to 40% of the food that is grown, processed, and transported annually.

FMI, the Consumer Brands Association, and the National Restaurant Association collaborate on the issue of food waste through the Food Waste Reduction Alliance (FWRA).

Retailers Combat Food Waste By

- Developing organizational waste-prevention cultures
- Improving and expanding efforts to donate surplus food
- Using data to create waste reduction goals
- Developing a composting strategy
- Standardizing expiration package labeling
SUPPORTING COMMUNITIES AND CLOSING REMARKS

Food retailers are committed to serving families in the communities in which we operate by providing access to healthy and affordable foods.

90% of food retailers have quantifiable goals and implementation timelines for their charitable efforts

FMI is a founding member and leader of the Bipartisan Policy Center’s Food and Nutrition Security Task Force launched in May 2021

Food insecurity affects 10.5% of all U.S. households

The food retail industry donated 1.7 billion meals to Feeding America in 2021