

April 20, 2022

The Honorable Dick Durbin
United States Senate
711 Hart Senate Office Building
Washington, DC 20510

The Honorable Roger Marshall
United States Senate
479A Russell Senate Office Building
Washington, DC 20510

The Honorable Peter Welch
United States House of Representatives
2187 Rayburn House Office Building
Washington, DC 20515

The Honorable Beth Van Duyne
United States House of Representatives
1337 Longworth House Office Building
Washington, DC 20515

Dear Senators Durbin and Marshall, and Representatives Welch and Van Duyne:

On behalf of our members and the independent grocery industry, the National Grocers Association (NGA) would like to thank you for your recent letter to Visa and Mastercard urging the networks to forego their planned April 2022 fee rate increases. NGA represents an industry comprising more than 21,000 independent community grocers across the country, and the wholesalers, manufacturers and suppliers who service them. The independent grocery sector is responsible for 1.1 million jobs and one-third of all U.S. retail grocery sales.

Grocery is an incredibly competitive industry in which even a few cents can drive life-long customers to shop at a new store. In this environment, independent grocers do all they can to keep costs low and maximize savings that can be passed on to their customers. Unfortunately for grocers, and merchants in general, there has been one cost over the years that cannot be contained and continues to increase on an annual basis: the fees associated with accepting credit cards, also known as “swipe fees.”

According to the Nilson Report, merchants paid \$105.23 billion in swipe fees to accept credit cards in 2021, more than double the amount of fees paid a decade ago. Given Visa and Mastercard’s sheer market power – 83 percent of all U.S. credit cards by purchasing volume – coupled with the lack of competitive forces in the credit card market, this duopoly has been able to increase swipe fees on an annual basis for decades without any ability for grocers or other Main Street businesses to affect those costs.

Making matters worse, these two global networks centrally set the pricing and structure of interchange fees, the largest component of merchants’ swipe fee costs. Interchange fees are not paid by merchants to Visa or Mastercard, rather, they are paid to the credit card issuers (i.e. the banks). In any other market, be it grocery or elsewhere, if prices were centrally set by two companies for the rest of the industry’s participants, there would be significant antitrust concerns. In the credit card space, however, this has been industry practice for more than a decade.

Independent grocers do all they can to absorb swipe fees, the competitive nature of the grocery industry demands this, but absorbing these out-of-control increases is simply not sustainable for any businesses, especially small businesses. This means that some amount gets passed on to consumers in the form of higher prices. Whether they have a credit card or not, the average American family already pays more than \$700 per year in swipe fees. If Visa and Mastercard move forward with their April fee hikes, that number will only increase.

Your letter to the card networks echoes the concerns that independent grocers have been hearing for months now from consumers within the communities they serve. Food inflation is at a 40-year high, and one of the most frequent places that Americans notice these price increases is at the grocery store. At a time when both the supply chain and local communities are faced with increased costs, the last thing grocers or their customers need is swipe fee hikes.

Thanks to your strong leadership and action, we hope that Visa and Mastercard will do the right thing and renounce their April fee increases. Independent community grocers and wholesalers support your efforts and call on Congress and the Biden administration to follow in your footsteps to address the failures of the broken card payments market. Swipe fees in the United States are higher than any other country in the industrialized world. Visa and Mastercard's profiteering off of the backs of Main Street businesses, our customers, and your constituents needs to stop.

Sincerely,

Greg Ferrara
President & CEO