

February 2, 2023

Senator Debbie Stabenow
Chairwoman
Senate Committee on Agriculture, Nutrition,
and Forestry
328-A Russell Senate Office Building
Washington, DC 20510

Congressman Glenn “G.T.” Thompson
Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, DC 20515

Senator John Boozman
Ranking Member
Senate Committee on Agriculture, Nutrition,
and Forestry
328-A Russell Senate Office Building
Washington, DC 20510

Congressman David Scott
Ranking Member
House Committee on Agriculture
1010 Longworth House Office Building
Washington, DC 20515

Re: 2023 Farm Bill

Dear Chairwoman Stabenow, Ranking Member Boozman, Chairman Thompson, and Ranking Member Scott:

The National Grocers Association (NGA) writes to share the policy priorities of the independent supermarket industry for the 2023 Farm Bill. As you begin deliberations on this critical legislation, we request that you keep these priorities top of mind as independent retailers provide critical access to an abundant supply of healthy food to millions of Americans who are struggling with hunger.

NGA is the national trade association representing retail and wholesale grocers that comprise the independent sector of the food retail and distribution industry. An independent community grocer is a privately owned or controlled food retail company operating in a variety of formats. Independents are the true “entrepreneurs” of the grocery industry and dedicated to their customers, associates, and communities. Much of NGA’s membership is comprised of family-owned and family-operated small businesses. Nearly half of NGA’s members are single-store operators, and another quarter operate less than five stores. Independent retail and wholesale grocers are an important part of America’s economy. Independent community grocers account for 33% of all grocery sales, exceeding \$250 billion, and more than 1.1 million American jobs. We are inherently tied to the strength and vitality of the markets we serve – at the heart of local communities and the U.S. economy. According to USDA Economic Research Service (ERS) analysis, independents tend to locate in the rural, low-income and underserved areas providing critical food access to Americans who would otherwise live in a food desert. Having often been in the business for generations, independent grocers are dedicated to their customers, associates, and communities.

NGA supports efforts to address hunger, support local economies, and promote healthy eating in the Farm Bill. We ask that you strengthen the programs and initiatives in the 2023 Farm Bill legislation by including our recommendations in any final legislation passed by Congress.

Expand Access to SNAP in Grocery Stores

Maintain SNAP Choice

Federal nutrition programs are a critical resource to struggling families and independent grocery stores are an indispensable partner in these programs. Retailers take pride in participating in the SNAP program to support their communities and local families in need. Making several improvements to this successful program can help increase retailer participation and increase food access for SNAP beneficiaries. Independent grocers are committed to advancing access to healthy food in an equitable manner and the following suggested program improvements would help them do so.

SNAP is a shining example of a public-private partnership. In 2020, SNAP was responsible for nearly 200,000 U.S. grocery industry jobs earning wages totaling more than \$6.7 billion.¹ SNAP not only works as it is intended but it also features one of the lowest error rates of any federal program in existence. Independent community grocers are a key private partner with the federal government to administer SNAP and the program is critical to the health of local communities.

One of the many reasons this program is successful is the ease of processing SNAP transactions for retailers and beneficiaries who can make their own decisions on which food items to purchase for their household. This choice ensures families can shop with the same dignity as any other grocery customer. Ill-conceived proposals to restrict the choices of SNAP participants would turn this efficient and effective program into an untested public health intervention overrun by bureaucracy.

Restricting the choices of SNAP customers to items approved by the USDA will increase program implementation costs for the government and discourage business participation in the program. The government will need to categorize more than 600,000 products and thousands more each year to create and maintain a food code to determine what foods can be purchased with SNAP. Grocery store cashiers will become the food police telling parents what they can and cannot feed their families.

Restricting SNAP choice will not create meaningful public health outcomes. The diet of an individual on SNAP is not significantly different than the average American diet. To improve public health, nutrition incentives are more effective and can be targeted to high need communities. Additionally, most SNAP transactions are split tender, meaning they are partially

¹ Dunham, J. (2021). (rep.). *The National Grocers Association Economic Impact Study Sales Impact Analysis and SNAP Impact Study*. Retrieved February 1, 2023, from <https://grocers.guerrillaeconomics.net/res/Methodology.pdf>.

paid for out of pocket. Foods not allowed on the program will just be moved to out-of-pocket purchases and not change an individual's purchasing habits.

The current flexibility is key to the program's success. The dietary needs of the SNAP population are diverse and no one diet would be appropriate for all participants leading to the need for different meal plans and nutrition counseling for each participating in turn increasing the cost of the program. SNAP choice allows the program to remain flexible during a supply chain shortage and declared emergencies. Restrictions would limit the program's ability to react to the changing needs of the community.

Restrictions will harm participants, taxpayers, and small community businesses. For these reasons, **NGA urges you to oppose any efforts to restrict purchases and limit choices of SNAP recipients.**

Protect the Equal Treatment of all SNAP Participants

It is critical that we continue to treat SNAP participants the same way we treat all other customers. The equal treatment clause provides participants with dignity when shopping at the grocery store. This equal treatment clause must extend to benefits like free membership (e.g., free Amazon Prime) and other offers for EBT participants to shop at specific stores, which has the effect of harming competition and undercutting smaller grocers. The continuation and even implementation of the equal treatment clause is critical to fostering a competitive food retail marketplace and keeping prices low.

Make SNAP Online Permanent and Provide Technical Support to Retailers

SNAP online purchasing is an important innovation in the program and will help the program keep pace with private partners. While 47 states have launched SNAP online purchasing, independent retailers face significant barriers offering the program to customers. Establishing a system to accept online SNAP payments is a lengthy and expensive process, requiring certain point-of-sale technology and website functions. Additionally, the system requires USDA Food and Nutrition Service (FNS) approval and must go through a testing process. **We urge Congress to make SNAP online a permanent feature of SNAP and provide USDA with the resources to properly implement SNAP online to onboard new stores.**

It is important to recognize the challenges that independent grocers face in accessing online systems. Independent grocers wish to offer this service to their customers, and many have applied to FNS to participate. However, barriers to participation include technical challenges, financial constraints to launch and continuously operate the program, and a lengthy application and approval process.

For many SNAP participants, the result is that the only options to use their benefits online are through large retailers. Yet, according to USDA ERS, independent grocers play an important role in helping to ensure food access for consumers, particularly in low-income and rural areas.

ERS found that independent grocers outnumber chain grocery stores in rural areas and operate at higher rates in counties with a large share of Black and Hispanic citizens.

NGA strongly supports legislative proposals to improve online SNAP programs. We urge the creation of an expedited approval process for current SNAP authorized retailers. NGA supports the continued streamlining of online SNAP purchasing so that independent grocers may continue to furnish essential goods to the members of those communities most in need.

Create Incentives for Grocers to Expand in Rural Communities

Independent grocers are a strong partner in revitalizing communities and increasing access to nutritious foods. They provide a critical service to underserved communities by making a variety of fresh and packaged foods available at affordable prices. They often reach tribal, rural, and urban communities and are successful in increasing food access. America's independent grocers look for innovative solutions to bring food to communities in need and work directly with local stakeholders to listen and respond to those needs.

Our grocers have the infrastructure and experience to create sustainable businesses in communities throughout the United States. Many communities have identified the need for increased food access but lack the experience and knowledge to establish lasting solutions. Independent grocers have been working in all types of communities for generations, learning what is needed to make a business successful to support their communities.

For example, the Homeland grocery chain opened a full-size grocery store in northeastern Oklahoma City which is a predominantly Black neighborhood and food desert. The store participates in the Gus Schumacher Nutrition Incentives Program and offers Double Up bucks for its SNAP participants. It increased food access and created jobs by working directly with the community and learning their needs. The store is also employee-owned, so employees hold shares in the company. Additionally, the grocery store partners with a nonprofit that employs cognitively disabled adults to run the coffee and wine bar. The community is proud to now have a grocery store to call their own.

But this store was decades in the making, which is far too long for food insecure families to wait. The main barrier to independent grocers expanding into low food access communities is capital funding and the assurance of steady business. It is difficult in this very low margin business to develop capital and sustain a business without outside support. We propose the USDA provide two types of financial support for grocers looking to expand into rural and agricultural communities.

First, Congress should increase and devote funding to provide capital specifically for supporting experienced grocers looking to expand into low food access areas through programs like the Healthy Food Financing Initiative (HFFI) and other rural development programs. These grocers should be required to carry nutritionally important foods such as fresh produce and meat. This critical funding would help provide healthy foods and grow economies in rural areas.

Second, Congress should explore creating a support program for grocers in these areas. While independent grocers have the expertise to sustain a successful business, many communities are not large enough to support this low margin service. Congress should explore outcomes-based financial support for grocers providing healthy foods to low access communities.

Additionally, Congress should pass legislation to provide tax incentives for businesses that open stores in low food access areas. A great example is the Supermarket Tax Credit for Underserved Areas Act (H.R.4687) of the 117th Congress. This bill increases the rate of the rehabilitation tax credit for a supermarket building, increases by \$1,000 the limit on wages eligible for the work opportunity tax credit for employees of a new underserved area supermarket, and allows a business-related tax credit for 15% of the gross receipts from the retail sale of fresh fruits and vegetables in a new underserved area supermarket. Ongoing tax credits help to defray high initial startup and increase business viability over the long-term.

Maintain Current SNAP Program Structure and Expand Access

NGA opposes large programmatic changes to SNAP like block granting or migrating to bulk food distribution boxes, ideas that threaten the viability of grocery stores in the communities that need them most. NGA also opposes expanding SNAP product eligibility to hot foods. Maintaining the current exclusion of hot and restaurant foods is a commonsense approach that provides families the opportunity to maximize the purchasing power of their benefits.

Finally, NGA supports allowing Puerto Rico to transfer from the Programa de Asistencia Nutricional – or Nutrition Assistance Program (NAP) to SNAP to provide stability for participants and retailers.

Protect Retailers from Burdensome Fees and Regulations

Protect Retailers from an EBT Tax

Grocers are constantly being confronted by increases in the acceptance of card payments. These fees are quickly becoming one of the biggest operational costs for retailers, often cited as the second highest operating cost behind labor. It is important to note that grocers operate on very thin margins and survive on a one to two percent net margins on average. While grocers want to make purchasing as convenient as possible, any fee that increases costs to grocers risks being passed on to consumers in the form of higher food prices.

NGA strongly urges Congress to make permanent the prohibition on EBT processing fees included in Sec. 4006 (d) of the 2018 Farm Bill. This provision will prevent state EBT processors from imposing excessive fees on retailers that will need to be passed on to consumers, increasing the cost of food. These fees have never existed, and therefore, a ban on these fees is in keeping with the historical standards of the program.

NGA strongly supports the continued prohibition of interchange fees. This longstanding prohibition has helped keep costs down for low-income families and has helped increase the

number of participating retailers and stores in the SNAP program, increasing access for those in need.

We also urge you to promote competition amongst state EBT processors. There are very few processors in the market due to high entry barriers and this consolidation has left states and retailers without choices. Enhancing competition will protect the program from increased costs and allow for accountability. Additionally, EBT outages damage retailers' ability to sell food to low-income SNAP customers, who are impacted the most during outage scenarios. Little evidence suggests that state EBT processors have taken the appropriate steps to resolve this problem and outages are only becoming more and more frequent. We also hope the addition of competition in the contracting process will allow more reliable firms to have a shot at state EBT processing contracts.

Interchange fees – also known as “swipe fees” are becoming so expensive that stores are struggling to keep up. Grocers have been a faithful partner in increasing food access, and they should not be charged excess fees, or essentially taxed, for their participation in this important program.

Innovate Payment Modalities

NGA supports giving the USDA the flexibility to modernize EBT payments as long as it does not result in an increase in fees and costs for retailers. SNAP participants should be allowed to pay in safe ways similar to other customers and not be left behind as technology moves forward. It is critical that these changes do not lead to additional compliance and financial burdens on retailers participating in the SNAP program. As USDA and Congress consider ideas to improve security on EBT cards, it's important to take into account any unintended consequences that may harm the footing of retailers and the U.S. government in the EBT payments ecosystem.

Protect the Definition of Authorized SNAP Retailer

Over the past few years, there has been a growing interest by new companies moving into the SNAP program, especially with the addition of SNAP online. It is important that new retailers meet the needs of their communities on the program and are held to the same standards as other authorized retailers. NGA supports rigorous stocking and perishability requirements for SNAP authorized retailers.

Stocking requirements ensure that authorized retailers can provide fresh, healthy, perishable foods for SNAP participants. In doing so, they provide these foods not just to SNAP participants but to the community they serve. Some online retailers are seeking to replace brick and mortar stores with delivery services. But online stores often have restrictions for rural and urban delivery, limiting access to fresh and healthy foods for those communities.

Independent grocers are pillars of health and economic stability in their communities. It is critical they are able to remain competitive with online stores by not weakening standards that

ensure SNAP beneficiaries gain access to fresh foods. NGA urges Congress to reject any policies that would weaken the perishability requirements for online retailers.

Oppose SNAP Data Reporting Requirements to Protect Retailer Privacy

NGA strongly opposes the collection of retailer-specific basket-level purchasing data.

Collection of such data would impose a significant burden on small businesses with no benefit to the government. USDA has already collected troves of data from third-party data collecting agencies on the purchasing habits of SNAP customers without having to surveil SNAP customers and requiring retailers to turn over highly sensitive and proprietary transaction information.

Massive data collections from the federal government would require additional staffing and expertise that many small businesses do not have. Many small businesses, especially those with small margins like grocery stores, do not have the capacity to bring on additional compliance staff with each new regulation.

Broad data collection is not necessary to ensure that the program is running effectively and efficiently. USDA already receives bulk redemption data that assists the agency to pinpoint anomalies and investigate fraud.

Bolster Healthy Foods Purchased with SNAP in Grocery Stores

Expand and Streamline the Gus Schumacher Nutrition Incentive Program

Grocery stores are increasingly becoming hubs for health and wellbeing as our sector adopts proven public health interventions. With nutrition incentives, produce prescriptions, pharmacies, dietitians on staff, and in-store health clinics, grocery stores are the next frontier of improving the health of communities. Increased adoption of public health initiatives by independent grocers have proven to increase access and consumption of healthy food while lowering rates of obesity and diet-related diseases.

Many NGA members have been on the frontlines of implementing the Gus Schumacher Nutrition Incentive Program (GusNIP), a program established in the 2018 Farm Bill which built upon the lessons of the Food Insecurity Nutrition Incentive (FINI) program that was created in the 2014 Farm Bill. Many have found incentives to be a wonderful way to support the health and wellbeing of their communities. SNAP participants that utilize the nutrition incentives program purchase more fruits and vegetables than the average U.S. consumers. When administered properly, nutrition incentives are an important addition to SNAP and can be truly effective in achieving the goal of promoting the consumption of healthy produce items.

Research has found that incentives are a far better alternative to promoting healthy eating than restricting purchases. Empowering consumers to purchase healthy fruits and vegetables prevents stigma and is a much more successful long-term strategy to encourage healthy eating than allowing the government to decide which food items a SNAP consumer may purchase.

Grocers participating in this program know it works and want to continue expanding access to healthy foods. While hundreds of retail food stores, farmers markets, supermarkets, and convenience stores participate in the GusNIP program, grocery stores can reach 90% of SNAP customers. NGA recommends the following improvements to the program to increase access for consumers and better support local economies.

In its current form, GusNIP is operating as a pilot program testing if incentivizing the purchase of fruits and vegetables will increase produce purchases and therefore their consumption. The data from the first years of the program show that the program is working and consumers participating in this program have increased purchases of fruits and vegetables. Congress should build upon the success of this pilot and create a long-term program at USDA FNS while only requiring programmatic evaluation rather than evaluating project efficacy.

Many of the headaches' retailers deal with in this program could be resolved by reducing the number of grant organizations involved in these and streamlining the program. We recommend allowing a state or nonprofit organization to apply directly to FNS to provide benefits for an entire state. With this shift, we think there should be a requirement that the vast majority of the funding go directly to benefits with a goal of 90% of funds reaching SNAP customers and restricting overhead costs.

Less than one-half of one percent of SNAP transactions are redeemed at farmers markets according to FNS data, but the lion's share of nutrition incentives have been directed to farm stands since its inception. Congress prioritized retail incentive projects in the 2018 Farm Bill, but grant organizations are not held accountable if they choose not to work with grocers. Put simply, NGA believes it's time to direct incentives to where SNAP customers actually shop – grocery stores.

The current GusNIP match level is unsustainable in the long term. For the future viability of the program, we believe it is important to consider reducing the match requirements. Additionally, if a match is still required, we believe it should be a maximum of 10% and allow more in-kind matching options, such as labor and staffing costs, for participating retailers.

The main barrier that retailers often run into is that it is technically challenging to develop a point-of-sale system (POS) that automatically triggers a discount on produce based on the EBT payment tender that SNAP consumers use to purchase items using their monthly benefits. This issue has prevented many retailers from even pursuing GusNIP projects since it becomes so technically difficult to set up a program at the register. We urge Congress to promote solutions allowing EBT cards to provide GusNIP benefits automatically to simplify administration, such as encouraging state EBT contractors to provide incentive options for EBT incentive redemptions. Because transitioning automatic EBT benefits will take time, we ask that Congress support continued technical assistance for retailers participating in GusNIP to overcome ongoing technical challenges.

NGA supports the continuation of 10% of GusNIP being used to pilot the health benefits of produce prescriptions. NGA supports two-tiers of projects, scale projects and seeding projects, to pilot both the expansion and initiation of produce prescription programs. It is important that these programs are allowed to pilot scalable projects to reach more members of their communities and create templates for future projects.

We also urge Congress to greatly increase funding GusNIP. This program has the potential to make a real impact on the diets and health of SNAP participants and communities across the United States. While NGA supports expanding GusNIP nationwide, we understand resources are limited. States and localities should be utilized as a partner in identifying areas of need and targeting resources for GusNIP benefits. This will allow the most efficient and effective use of these funds.

Fully Fund the Healthy Food Financing Initiative

The Healthy Food Financing Initiative (HFFI) has provided numerous opportunities for retailers to improve their operations and expand into food desert locations. The 2018 Farm Bill authorized this program at \$25 million per year but has yet to be appropriated above \$5 million per year. NGA supports funding HFFI at \$125 million over five years and requests the Agriculture Committees consider transitioning this program to a mandatory funding structure to increase certainty and predictability for stakeholders.

Modernize SNAP-Ed

NGA supports the continuation of the SNAP-Ed program and supports modernizing the program to meet people where they shop, the grocery store. We believe there are opportunities for retailers and SNAP-Ed to partner to support healthy purchasing and eating habits. It is important that SNAP-Ed work in conjunction with GusNIP to increase the impact of both programs and provide individuals with the education and opportunities to make the best choices for their families. The use of technology can expand SNAP-Ed's impact and reach consumers where they are, in the grocery aisle. Apps that help plan meals based on foods in the shopping cart and based on tools in consumers kitchens, will help the fruits and vegetables consumers purchase make it to the family table.

Conclusion

Independent community grocers are committed to continuing these strong public-private partnerships and expanding access to healthy foods across the United States. SNAP is essential to feeding families, raising healthy children, and supporting local economies. We urge you to keep this program strong and work to continue improving the functioning and processes for retailer participation.

Thank you for your efforts to address hunger, support local economies, and promote healthy eating in the forthcoming Farm Bill. We look forward to working with you to increase access to healthy foods around the nation.

Please do not hesitate to contact me to discuss these priorities or if you have any questions.
Thank you for your attention to these important matters.

Sincerely,



Stephanie Johnson, RDN
Vice President, Government Relations
National Grocers Association

CC: Members of the U.S. Senate
CC: Members of the U.S. House of Representatives
CC: Executive Office of the President
CC: U.S. Department of Agriculture