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DISRUPTIONS TO THE DOMESTIC FOOD SUPPLY CHAIN IN A COVID-19 ERA

As the COVID-19 crisis continues, there have been concerns about potential disruptions to the U.S. food supply chain. While there is more than enough food available, the companies and intermediaries who prepare and deliver that food to consumers are struggling to adapt their business models to the sudden changes in customer need.

Challenges are occurring at all levels.

The modern grocery supply chain has evolved to be highly efficient, relying on frequent supplier deliveries and minimal on-site storage. The system that brought customers fresh, reliable, diverse food on demand has been upended by rapid changes in consumer behavior. Demand at the point-of-sale has spiked due to the almost overnight shift to food being prepared in the home, [panic-buying, and over-purchasing](#), which result in bare shelves — perpetuating anxious behavior from customers.

Online and contact-less grocery delivery, a relative newcomer to the food supply chain, has seen enormous demand that is outstripping capacity, as delivery slots are consistently sold out or booked far in advance and certain food items remain unavailable. Tech companies have begun [deploying bots and online queuing options](#) to help smooth challenges.

As unemployment exponentially rises, [more and more](#) Americans are turning to domestic feeding programs, like the Supplemental Nutrition Assistance Program, for support. These government programs have worked rapidly to provide support to all new participants, while accelerating deployment of [online service options](#).

Food banks are seeing [record numbers](#) of first-time visitors, and dramatic growths in need, [especially among children](#). People seeking support are faced with long lines while food banks struggle with limited numbers of volunteers available due to social distancing and stay-at-home orders.

Before COVID-19, food processing and packaging was divided between commercial uses and consumer-ready packaging. Now, as consumers are preparing much of their own food, the industry is left with a [shortage on consumer-packaged goods and a surplus of commercial-packaged goods](#), and no easy way to quickly shift because of the specialized equipment, materials, and labeling required to produce consumer-facing packaging. While it varies from industry to industry, it is not a cheap or quick option to

add new packaging equipment or retool existing lines, and there is no guarantee that the investment in increased production capacity will remain expedient after the crisis has passed.

Transportation is impacted as well. Domestically, [truckers](#) have experienced uneven effects from COVID-19 — they are able to demand higher prices per load hauled in some cases, but have lost key infrastructure pieces like rest stops and relief services due to stay-at-home orders. The Department of Transportation has acted to provide [hours of service](#) regulatory relief for trucks carrying certain types of essential goods, including food. Additionally, because the global supply chain has moved to prioritize core goods like personal protective equipment (PPE) and medical supplies, the [availability of containers](#) to transport food supplies from country to country is experiencing disruption. This pairs with countries' own consideration of whether or not to continue exporting key goods.

And finally, at all points along the supply chain, the workers who have been deemed essential during this crisis — from the grocery store clerk to the warehouse worker to the slaughter and processing facility employees — [remain concerned about their health](#) as reports of people falling ill have grown. This has caused increasing absenteeism, demands for PPE which is in high demand and short supply, and discussion about liability if workers contract the virus on the job. [Slaughter plants](#) in particular depend on a specialized, highly skilled workforce; there are no easy answers when the people trained for these vital jobs are unavailable amid record consumer demand.

These downstream challenges are creating upstream bottlenecks for farmers and ranchers.

Farmers and ranchers depend on a complex supply chain to get their products to market. When delays or disruptions occur, they can have serious consequences.

As [slaughter and processing capacity](#) decreases due to employee illnesses, ranchers and producers who are raising cows, pigs, and poultry are struggling to find places to process their animals. These industries, which have adapted to consumer preferences for consistent, uniform cuts of meat, have exacting timing for delivery and slaughter of animals. A delay at slaughter can mean that animals no longer meet commercial size and quality requirements, that the animals become prone to injury, or that the animals begin to exceed the capacity of the facility to house them. [Delays mean depopulation](#), a wrenching and economically devastating event for the ranchers and producers who pride themselves on caring for their animals and seeing their efforts result in food for consumers, not waste.

With the rapid shift in buying patterns, [fruits and vegetables](#) without a market are being left to rot in the fields. Due to the shifting growth patterns in the U.S., the devastation that has been happening in the early-season areas and crops will begin expanding to new regions with later-season production and new types of crops.

[Dairy](#), much like other industries, is struggling with the diminishment of the food service market, but they have much fewer options for how they move their product and identify alternative markets. Cows must be milked daily, and the high perishability of their commodity constrains their timing flexibility — delays mean product gets dumped.

Policymakers and industry leaders have undertaken multiple types of actions to date.

Congress has provided [significant resources](#) to farmers, ranchers, and those in need through the multiple stimulus packages passed to date, including increased funding for nutrition programs, funding for food banks, commodity purchases implemented by the USDA, and direct support to farmers and ranchers. Congress also provided [key funding](#) to businesses dealing with the effects of COVID-19.

The White House has invoked the [Defense Production Act](#) to ensure that meat and poultry processing plants stay open for business, while committing that the government will provide additional personal protective equipment to workers in those establishments.

The USDA is [preparing](#) to provide direct payments to farmers and ranchers in support for losses due to COVID-19, purchasing fresh produce, dairy, seafood and meat, and working to support food banks through existing authorities and innovative program delivery. The USDA has announced a [40 percent increase](#) in program participants' monthly SNAP benefits. The USDA has also stated that, for a temporary period, they will [not exercise enforcement authority](#) over Country of Origin Labeling (COOL) labeling requirements to allow the re-distribution of products intended for commercial or food service used to be sold to consumers in retail. Additionally, they have established a National Incident Coordination Center, comprised of Animal and Plant Health Inspection Service officials, State Veterinarians, and other state officials who can help producers identify potential alternative markets if a producer is facing difficulties accessing their traditional markets, and, as necessary, advise and provide assistance on depopulation and disposal.

There is also [tremendous collaborative work](#) throughout the supply chain to make this work.

- Agricultural industries, producers, restaurants, anti-hunger groups, and philanthropy are all working hand in hand to bridge gaps between supply and need.
- Agricultural companies are exploring [new ways of doing business](#) to meet new consumer needs.
- States are taking key actions, such as launching online clearing houses to match available food with foodbanks.
- Some restaurants have temporarily adapted their business models to support delivery and take out, and to sell restaurant supplies, including food products in commercial packaging, disinfectant and toilet paper, directly to customers.
- Some commercial food service distributors are also selling directly to consumers, instead of requiring business licenses to access the inventory.
- Certain farmers and producers are adapting to direct-to-consumer sales, quickly adopting new technologies and delivery models to help move products online.

Finally, new and innovative partners are also joining the fight, including technology companies, that are helping to build connectivity between buyers, sellers, and transportation agents that step into the gap to bring food and grocery goods to people at home.

These actions, while important, will not be enough to address these disruptions in our food supply system alone. As Congress looks toward future stimulus packages and actions through appropriations, there are several key decision points on the horizon.

- Congress is likely to provide additional funding to USDA to purchase commodities and support producers. Policymakers will debate how much aid is needed, and whether or not Congress should get a say in how the USDA allocates future funding.
- [Senate Democrats](#) have sent a letter to the Administration urging them to ensure the safety of the food supply and to protect the food supply chain workforce.
- Senate Republicans [are working behind the scenes](#) with the Administration [to address the issue](#) as well.
- House Republicans sent a letter encouraging the USDA to provide aid equitably and quickly, praising prior efforts with the Marketing Facilitation Program.
- A [bipartisan pair of Senators](#) have requested that the Federal Trade Commission open an antitrust investigation into the meatpacking industry, and the potential for disruption to the food supply.
- A bipartisan group has launched a new [Congressional Supply Chain Caucus](#), to “strengthen and add resiliency to protect the delivery system.”
- Sen. Gillibrand (D-NY) has [introduced language](#) to offer loan forgiveness to small and mid-sized farmers with loans under \$250,000, as well as legislation to provide \$8 billion in block grants to food banks to purchase fresh produce directly from farmers.
- Rep. Rosa DeLauro (D-CT) sent a [proposed action plan](#) to the USDA laying out recommended actions to protect the food supply chain.
- Additionally, Sen. Baldwin (D-Wisc.) and [Rep Torres Small \(D-NM-2nd\)](#) are expected to introduce language to provide aid to states to address agricultural supply chain challenges on a state-by-state level in the near future.

Underlying strength.

The United States, through the farm bills that are negotiated roughly every five years, has made long term investments in the food supply chain and our domestic production capacity. This forward-looking policy leadership to build our nation’s food independence as a national security asset has meant that, while trade is integral to our overall food supply, we are not reliant on other countries to provide for the basic needs of our citizenry. There is enough food in this country, and it is still getting to tables despite immense and unprecedented stress on the system.

Some groups are even able to look towards the future, helping support others globally who need food during this time and mitigate food waste through trade. Some commodities, like American [rice](#), are looking to expand their operations to begin providing high quality, safe, American products to other countries as we respond to this disruption globally.

Looking forward.

The next farm bill, due for reauthorization in FY23, will be shaped by the discussions that are happening now. Long term, policymakers will look to build additional resilience into the food supply system and to mitigate the potential for future disruptions.

Experts have long viewed diverse supply chains as resilient ones. Support for local, direct-to-consumer, and value-added agriculture, the preservation of affordable working farmland, flexible programs that support companies who want to innovate in the space of food and agriculture, investments in national broadband connectivity, and support for small and mid-sized farmers will all serve to create additional pressure relief valves for the food supply chain in times of disruption and uncertainty.

Agriculture, nutrition programs, and the food supply chain, as we all have been reminded, are critical national security assets, and investments in this space yield dividends during times of disruption.

Authors

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A former senior Republican Senate staffer, T.A. knows what it takes to successfully navigate DC. Since arriving at Monument in 2015, he has helped clients understand the current political environment while providing expertise on appropriations, agriculture, nutrition, transportation and defense issues. Previously, T.A. worked for former Senate Appropriations Committee Chairman Thad Cochran (R-MS) as the Republican Staff Director of the U.S. Senate Committee on Agriculture, where he helped develop, negotiate, and pass the five-year reauthorization of federal agriculture and nutrition assistance programs collectively known as the Farm Bill. T.A. previously held senior staff roles such as Chief of Staff and Legislative Director for Cochran when he was the senior Republican member of the Senate Appropriations Committee. He is a graduate of the University of Tennessee.

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Lilia joined Monument Advocacy after almost 12 years with the Department of Agriculture. Most recently, she served as the Acting Chief of Staff for Departmental Administration, which provides management leadership across USDA in the areas of contracting, national security, customer service, human resources, and more. Lilia formerly served as the lead for the federal government initiative to support and provide resources to the next generation of agriculture, as Acting Chief of Staff in the office of the USDA Deputy Secretary, and in the Office of Congressional Relations, where she worked closely with Capitol Hill on a wide range of issues including food safety, trade, disaster assistance, risk management, credit and international food security. Lilia also served as a legislative fellow in the office of the senior senator from California, focused on the farm bill and agriculture appropriations. Lilia was recognized in 2016 as a finalist for the Samuel J. Heyman Service to America medals, which recognizes federal government employees who make significant contributions to the governance of the United States. Originally from Deep East Texas, Lilia earned her degree from the University of Texas at Austin.

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