

ROBERT P. CASEY, JR.
PENNSYLVANIA

COMMITTEES:
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HEALTH, EDUCATION,
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ON INTELLIGENCE

SPECIAL COMMITTEE ON AGING

United States Senate

WASHINGTON, DC 20510

December 13, 2023

Kevin W. Keane
President & CEO
American Beverage Association
1275 Pennsylvania Ave, NW
Suite 1100
Washington, DC 20004

Dear Mr. Keane:

I write to you with growing concern about working families in Pennsylvania and across our Nation being pinched by big corporations raising prices despite reporting a string of record profits. In recent weeks, I have released reports detailing the consequences of greedflation, whereby big corporations have used economic turmoil as cover to raise prices beyond the rate of inflation. While consumers bear higher prices, Federal Reserve data show that corporate profits rose five times as fast as the rate of inflation from July 2020 to July 2022¹ and accounted for 41 percent of inflation during America's post-pandemic recovery.² It is hard to square how corporate executives can trumpet record profits at the same time Pennsylvania families have kitchen table conversations about stretching every dollar. The American Beverage Association (ABA) represents hundreds of non-alcoholic beverage producers, distributors, and franchise companies. I therefore seek your assistance in gathering information about steps the association's members can take to reduce economic pressure on working families across our Nation.

My recent reports examining greedflation cited numerous examples of corporate executives touting their ability to hike prices in recent years, including multiple members of ABA. For example, the Coca-Cola Company (Coca-Cola) increased the price of its products by 11 percent over the course of 2022.³ The company's chief executive said at the time that Coca-Cola had "earned the right" to hike prices for consumers.⁴ Coca-Cola's rival, and another association member, PepsiCo Inc. (PepsiCo), also significantly increased prices. In April, PepsiCo stated that it had increased prices 16 percent during the first quarter of 2023.⁵ On an earnings call, executives went a step further: PepsiCo's chief executive told investors that even though

¹ <https://www.casey.senate.gov/imo/media/doc/greedflation1.pdf> at 1; *see also* <https://fred.stlouisfed.org/graph/?g=1aF4V> and <https://fred.stlouisfed.org/graph/?g=1aF9q>

² <https://www.casey.senate.gov/imo/media/doc/greedflation1.pdf> at 2; *see also* <https://www.kansascityfed.org/research/economic-bulletin/corporate-profits-contributed-a-lot-to-inflation-in-2021-but-little-in-2022/>

³ <https://www.reuters.com/business/retail-consumer/coca-cola-sees-annual-profit-above-estimates-resilient-demand-price-hikes-2023-02-14/>

⁴ <https://www.reuters.com/business/retail-consumer/raise-prices-or-not-consumer-goods-makers-weigh-bets-buyer-strength-2023-02-20/>

⁵ <https://www.nytimes.com/2023/05/30/business/economy/inflation-companies-profits-higher-prices.html>

inflation was declining, their prices would not,⁶ a message reinforced by the company’s chief financial officer, who said in a television interview that “consumers generally look at our products and say ‘you know what – they are worth paying a little bit more for.’”⁷

In addition to these public pronouncements of price hikes, corporations are also downsizing products without adjusting prices or clearly notifying consumers. Known as shrinkflation, these hidden price increases hurt working families in Pennsylvania and across our Nation by raising the unit cost of everyday items like food and household products. Despite corporate efforts to pass on higher prices without detection, a November poll found that 50 percent of U.S. respondents reported noticing food product sizes getting smaller, while prices remained the same.⁸ Reports from multiple states have even shown that families participating in food assistance programs lost access to certain brands of milk,⁹ orange juice,¹⁰ oatmeal, and grits,¹¹ after companies downsized them. Shrinkflation has become so commonplace that *Merriam-Webster* added the word to its dictionary in 2022.¹²

Experts have found that corporations use a variety of methods to carry out shrinkflation, many of which are hard for everyday consumers to identify.¹³ For example, corporations may reduce the size of containers by a few ounces,¹⁴ add air to a package, or even increase the divot at the bottom of a jar,¹⁵ all while maintaining the same prices – or even raising them. Unfortunately, product sizes do not typically return to normal with time.¹⁶ If shrunken products are later “upsized,” corporations often advertise them as “bonus buy” or “more for the money,” and sometimes sell them at a higher price.¹⁷ Companies have used shrinkflation for a variety of products, including baby formula,¹⁸ toilet paper,¹⁹ snack food,²⁰ paper towels,²¹ beverages,²² cleaning products,²³ and even pet food.²⁴ In addition to hiking prices, PepsiCo engaged in shrinkflation: the company opted to change the size of one of its most popular products, Gatorade. PepsiCo unveiled a new “aerodynamic” 28-ounce bottle in lieu of its standard 32-

⁶ <https://seekingalpha.com/article/4596343-pepsico-inc-pep-q1-2023-earnings-call-transcript>

⁷ <https://www.bloomberg.com/news/videos/2023-04-25/people-are-willing-to-pay-more-for-pepsi-cfo-says-video>

⁸ <https://www.ipsos.com/sites/default/files/ct/news/documents/2023-11/Ipsos-global-inflation-monitor-Nov-23.pdf>, at 23.

⁹ <https://alaskapublic.org/2023/06/07/darigolds-milk-size-change-limits-choices-for-wic-participants/>; <https://doh.wa.gov/sites/default/files/2023-01/963-117-RetailerE-Bulletin-Jan2023.pdf?uid=6438df821782f>, at 2

¹⁰ <https://www.modernretail.co/marketing/its-dishonest-how-shrinkflation-took-over-shoppers-minds-and-social-media-accounts/>

¹¹ <https://www.michigan.gov/mdhhs/-/media/Project/Websites/mdhhs/Assistance-Programs/WIC-Media/Vendor-Communications/Vendor-Newsletters/2022-Winter.pdf?rev=cfd9153b98ad4a7cb197cbb6b5aed112&hash=9D8DA9558C6355A58DCD0202C008D420> at 4.

¹² <https://www.merriam-webster.com/wordplay/shrinkflation-words-were-watching>

¹³ <https://www.bls.gov/opub/btn/volume-12/measuring-shrinkflation-and-its-impact-on-inflation.htm>

¹⁴ <https://finance.yahoo.com/news/shrinkflation-does-impact-shoppers-150015512.html>

¹⁵ <https://www.bls.gov/opub/btn/volume-12/measuring-shrinkflation-and-its-impact-on-inflation.htm>

¹⁶ <https://www.bbc.com/worklife/article/20230922-shrinkflation-isnt-a-trend-its-a-permanent-hit-to-your-wallet>

¹⁷ <https://www.bls.gov/opub/btn/volume-12/measuring-shrinkflation-and-its-impact-on-inflation.htm>

¹⁸ <https://www.bbc.com/worklife/article/20230922-shrinkflation-isnt-a-trend-its-a-permanent-hit-to-your-wallet>

¹⁹ <https://www.inquirer.com/business/shrinkflation-2022-rising-prices-inflation-profits-20220315.html>

²⁰ <https://www.forbes.com/advisor/personal-finance/what-is-shrinkflation/>

²¹ <https://www.aarp.org/money/budgeting-saving/info-2022/products-impacted-by-shrinkflation.html>

²² <https://qz.com/2129426/inflation-and-supply-chain-snags-are-shrinking-your-products>

²³ <https://www.pbs.org/newshour/show/manufacturers-use-shrinkflation-to-pass-costs-on-to-consumers>

²⁴ <https://www.washingtonpost.com/business/2021/06/01/package-sizes-shrink-inflation/>

ounce size.²⁵ Despite the change in size, PepsiCo did not change the price—increasing costs for consumers by 14 percent.²⁶ Rather than paying less and getting more, the veiled corporate tactics of shrinkflation lead consumers to unwittingly pay more and get less, increasing day-to-day costs and reducing the buying power of working families.

Given the ABA’s convening power among the most influential leaders of the beverage industry, I request that you provide answers to the following questions no later than January 24, 2024:

1. My November report found that association members increased prices by more than 10 percent in the last year.²⁷ Among all association members, please identify which companies increased the price of individual products by 10 percent or more compared to the previous year at any time since January 1, 2021. Additionally, please provide a detailed description of how association members make product pricing decisions, including factors such as material costs, market demand, target profit margins, and target customers.
2. Bureau of Labor Statistics (BLS) data show that certain item categories have experienced more downsizing, or shrinkflation, than other product categories. For instance, coffee is 22 percent more expensive today than it was in January 2019; seven percent of that increase is tied to shrinkflation.²⁸ Similarly, sugar and artificial sweetener prices increased 45 percent over the same period, three percent of which is tied to shrinkflation.²⁹ How do association members evaluate costs to consumers when they choose to effectively increase the unit prices by downsizing products?
3. Public and private actors have adopted commonsense steps to help inform consumers and protect them from shrinkflation.³⁰ For example, grocery stores typically list unit prices for products³¹ and the French government is implementing a label requirement for products that have been reduced in weight.³² How have association members sought to notify and inform consumers about changes in the size of their products?
4. I am concerned about shrinkflation’s effect on the efficacy of federal programs, particularly those serving low-income and middle-class Americans. Recent reports from multiple states show how shrinkflation creates barriers for families and older adults purchasing groceries through the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). How has the association and its members evaluated the effect of downsizing products on recipients of state-administered food programs such as WIC and the Supplemental Nutrition Assistance Program (SNAP)? What steps has the

²⁵ <https://qz.com/2129426/inflation-and-supply-chain-snags-are-shrinking-your-products>

²⁶ <https://qz.com/2129426/inflation-and-supply-chain-snags-are-shrinking-your-products>

²⁷ Greedflation report; *see also* <https://www.nytimes.com/2023/05/30/business/economy/inflation-companies-profits-higher-prices.html#> and <https://www.reuters.com/business/retail-consumer/coca-cola-sees-annual-profit-above-estimates-resilient-demand-price-hikes-2023-02-14/>

²⁸ BLS Data Prepared at the Request of Senator Casey's office

²⁹ BLS Data Prepared at the Request of Senator Casey's office

³⁰ <https://www.bloomberg.com/opinion/articles/2021-06-24/shrinkflation-is-the-grocery-store-s-inflation-secret>

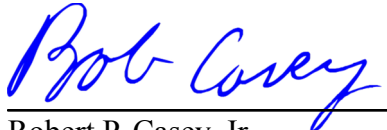
³¹ <https://www.cnbc.com/2023/04/27/how-to-avoid-shrinkflation.html>

³² <https://www.gamberorossointernational.com/news/what-is-shrinkflation-and-how-france-is-fighting-to-reduce-it/>

association and its members taken to work with states to ensure that everyday necessities remain accessible to beneficiaries?

Thank you for your attention to this important issue. If you or your staff have any questions, please contact Corey Husak on my staff at 202-224-6324.

Sincerely,



Robert P. Casey, Jr.
United States Senator