

ROBERT P. CASEY, JR.
PENNSYLVANIA

COMMITTEES:
FINANCE

HEALTH, EDUCATION,
LABOR, AND PENSIONS

SELECT COMMITTEE
ON INTELLIGENCE

SPECIAL COMMITTEE ON AGING

United States Senate

WASHINGTON, DC 20510

December 13, 2023

Ms. Christine Cochran
President & CEO
SNAC International
1300 17th Street North
Suite 540
Arlington, VA 22209

Dear Ms. Cochran:

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. SNAC International (SNAC) represents more than 400 companies in the snack industry worldwide, including suppliers and manufacturers. I therefore seek your assistance in gathering information about steps SNAC 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 SNAC. For example, PepsiCo, Inc. (PepsiCo), a SNAC member, raised the average price of its products by 16 percent during the first three months of 2023, following similar price increases at the end of 2022.³ PepsiCo's chief executive told investors that even though inflation was declining, their prices would not,⁴ a message reinforced by the company's chief financial officer (CFO), 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.'"⁵ Similarly, the CFO of Conagra Brands, Inc. (Conagra) said that food companies "tend to do better" when times are rough "because people... don't go out to eat as much," which "plays well for us."⁶ A Goldman Sachs analyst noted that

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.nytimes.com/2023/05/30/business/economy/inflation-companies-profits-higher-prices.html>

⁴ <https://seekingalpha.com/article/4596343-pepsico-inc-pep-q1-2023-earnings-call-transcript>

⁵ <https://www.bloomberg.com/news/videos/2023-04-25/people-are-willing-to-pay-more-for-pepsi-cfo-says-video>

⁶ <https://www.wsj.com/articles/conagra-cfo-doesnt-see-need-for-big-price-increases-in-near-term-11673561602>

Conagra “had been able to price its profits above inflation rates and recovered its profit margins.”⁷ The *Wall Street Journal* further noted that the company took a series of double-digit percentage price increases in 2022.⁸

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.⁹ Reports from multiple states have even shown that families participating in food assistance programs lost access to certain brands of milk,¹⁰ orange juice,¹¹ oatmeal, and grits,¹² after companies downsized them. Shrinkflation has become so commonplace that *Merriam-Webster* added the word to its dictionary in 2022.¹³

Experts have found that corporations use a variety of methods to carry out shrinkflation, many of which are hard for everyday consumers to identify.¹⁴ For example, corporations may reduce the size of containers by a few ounces,¹⁵ add air to a package, or even increase the divot at the bottom of a jar,¹⁶ all while maintaining the same prices – or even raising them. Unfortunately, product sizes do not typically return to normal with time.¹⁷ 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.¹⁸ Companies have used shrinkflation for a variety of products, including baby formula,¹⁹ toilet paper,²⁰ snack food,²¹ paper towels,²² beverages,²³ cleaning products,²⁴ and even pet food.²⁵ PepsiCo subsidiary Frito-Lay North America (Frito-Lay), has also utilized shrinkflation as a tactic. Frito-Lay reduced the size of Doritos bags by five

⁷ <https://www.nytimes.com/2022/11/01/business/food-prices-profits.html>

⁸ <https://www.wsj.com/articles/conagra-cfo-doesnt-see-need-for-big-price-increases-in-near-term-11673561602>

⁹ <https://www.ipsos.com/sites/default/files/ct/news/documents/2023-11/Ipsos-global-inflation-monitor-Nov-23.pdf>, at 23.

¹⁰ <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

¹¹ <https://www.modernretail.co/marketing/its-dishonest-how-shrinkflation-took-over-shoppers-minds-and-social-media-accounts/>

¹² <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.

¹³ <https://www.merriam-webster.com/wordplay/shrinkflation-words-were-watching>

¹⁴ <https://www.bls.gov/opub/btn/volume-12/measuring-shrinkflation-and-its-impact-on-inflation.htm>

¹⁵ <https://finance.yahoo.com/news/shrinkflation-does-impact-shoppers-150015512.html>

¹⁶ <https://www.bls.gov/opub/btn/volume-12/measuring-shrinkflation-and-its-impact-on-inflation.htm>

¹⁷ <https://www.bbc.com/worklife/article/20230922-shrinkflation-isnt-a-trend-its-a-permanent-hit-to-your-wallet>

¹⁸ <https://www.bls.gov/opub/btn/volume-12/measuring-shrinkflation-and-its-impact-on-inflation.htm>

¹⁹ <https://www.bbc.com/worklife/article/20230922-shrinkflation-isnt-a-trend-its-a-permanent-hit-to-your-wallet>

²⁰ <https://www.inquirer.com/business/shrinkflation-2022-rising-prices-inflation-profits-20220315.html>

²¹ <https://www.forbes.com/advisor/personal-finance/what-is-shrinkflation/>

²² <https://www.aarp.org/money/budgeting-saving/info-2022/products-impacted-by-shrinkflation.html>

²³ <https://qz.com/2129426/inflation-and-supply-chain-snags-are-shrinking-your-products>

²⁴ <https://www.pbs.org/newshour/show/manufacturers-use-shrinkflation-to-pass-costs-on-to-consumers>

²⁵ <https://www.washingtonpost.com/business/2021/06/01/package-sizes-shrink-inflation/>

percent without adjusting the price.²⁶ The company publicly acknowledged the change, saying, “we took just a little bit out of the bag so we can give you the same price and you can keep enjoying your chips.”²⁷ 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 SNAC’s convening power among the most influential leaders of the snack industry, I request that you provide answers to the following questions no later than January 24, 2024:

1. My November report found that SNAC members increased prices by more than 10 percent over the last year.²⁸ 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, snacks today are 26 percent more expensive compared to January 2019, and 10 percent of that change is linked solely to shrinkflation.²⁹ Similarly, household cleaning products prices increased 24 percent over the same period, seven percent of which is tied to shrinkflation.³⁰ How do SNAC 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.³¹ For example, grocery stores typically list unit prices for products³² and the French government is implementing a label requirement for products that have been reduced in weight.³³ 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

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

²⁷ <https://qz.com/2129426/inflation-and-supply-chain-snags-are-shrinking-your-products>

²⁸ Greedflation report; *see also* <https://www.nytimes.com/2023/05/30/business/economy/inflation-companies-profits-higher-prices.html#> and <https://www.wsj.com/articles/conagra-cfo-doesnt-see-need-for-big-price-increases-in-near-term-11673561602>

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

³⁰ BLS Data Prepared at the Request of Senator Casey's office

³¹ <https://www.bloomberg.com/opinion/articles/2021-06-24/shrinkflation-is-the-grocery-store-s-inflation-secret>

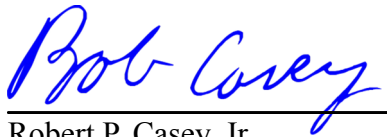
³² <https://www.cnbc.com/2023/04/27/how-to-avoid-shrinkflation.html>

³³ <https://www.gamberorossointernational.com/news/what-is-shrinkflation-and-how-france-is-fighting-to-reduce-it/>

SNAC 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