

June 21, 2021

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Agricultural Marketing Service
United States Department of Agriculture
Room 2055-S, STOP 0201,
1400 Independence Avenue, SW,
Washington, D.C. 20250-0201

Re: Docket Number: AMS–TM–21–0034

Dr. Bailey:

I am writing on behalf of the Global Cold Chain Alliance (GCCA) to provide comments regarding the food supply chain review detailed in Docket Number: AMS–TM–21–0034. GCCA represents all major sectors of the cold chain and unites partners to be innovative leaders in the third-party temperature-controlled logistics industry. The cold chain refers to the temperature management of perishable products to maintain quality and safety from the point of slaughter or harvest through the distribution chain to the final consumer. GCCA is committed to forging a universally strong cold chain where every product retains quality and safety through each link. Through its four Core Partners, GCCA serves more than 1,100 companies in 85 countries who serve the food industry by providing third-party, temperature-controlled supply chain services.

Designated an essential industry supporting the nation’s critical infrastructure, GCCA and our members have worked tirelessly to ensure that our country and the world has had reliable access to safe and high-quality food throughout this pandemic. The cold chain serves as a crucial link in the supply chain, as our members ensure the food safety, security, and reliable access to over 213 billion pounds of perishable food annually. While parts of the country shut down, GCCA and our members realized the vital role our industry plays for the integrity of the food supply chain and remained open and operating throughout the pandemic in the face of numerous financial hurdles.

GCCA appreciates the opportunity to provide comment on challenges and opportunities for strengthening the food supply chain for the future. GCCA has identified major issues and trends currently impacting the food supply chain and offers recommendations including:

- Increased support for continued development and implementation of supply chain technology, including the strengthening of cyber security across the food industry.
- Regulatory flexibility to address current and future supply chain disruptions and shifts in consumer patterns.
- Improved FSIS policies and capacity including increased FSIS personnel, identifying alternative methods for achieving veterinary signatures and revision of the “50 mile” rule for import establishments.
- Support for workforce development initiatives and policies to address labor challenges across the food supply chain.

- Utilization of COVID relief programs and funds to assist food supply chain companies in mitigating pandemic related expenses and strengthen their operations post-pandemic.

Below are additional details on the key issues our industry has identified for USDA's consideration:

Food Supply Chain Technology

Further advancements in supply chain technology and logistics sharing need to be explored and implemented. Due to sourcing efficiencies that have been gained and supply chains getting longer (for all the marketing around buying local, it is largely not the current case) supply chains have become more vulnerable to disruptions. The length and complex networks of contemporary supply chains make them difficult to regulate and manage. This is compounded with a linear disconnected supply chain of one up, one back where data resides in individual company systems that cannot be shared in the supply chain ecosystem. Visibility will be key to building a resilient cold chain.

Digitization is an important step to increasing the resiliency of the supply chain. The process would include marking, digitizing and utilizing data at the product level across the supply chain. Future reliance on the barcode may need to be rethought, as it requires line of sight/physical engagement to collect data. The use of IoT markers, like RFID can automate the process without physically engaging the product, as well as provide economic benefits and improve visibility to the supply chain.

Once product is marked, it can then be digitized with a unique birth certificate to be shared along the supply chain in a permissioned cloud-based or blockchain platform. Along the supply chain there are Critical Tracking Events or CTE's. These CTE's are gathered along the supply chain usually by scanning off transport and into a warehouse. These CTE's at the case level would be shared across the ecosystem as to description and location. This visibility would allow supply chain stakeholders to provide real-time inventory data, understanding when and where to surge or transform a product and provide consumer confidence in the supply chain to reduce future panic surge buying.

The industry is currently burdened by many regulations and business processes that require paperwork/documents to be retained for up to 2 years beyond their last use. Digitizing the food supply chain will help maintain record keeping requirements more efficiently. Creating a digital twin of our food would facilitate better communication and remove friction along the supply chain between regulators and business stakeholders. Once product is digitized, documents can be attached to the product such as Bills of Ladings, Certificates of Analysis, and Import/Export documentation that would travel with the product. This ability to scan and retrieve documents can remove friction along the supply chain. For example, a major retailer has utilized IoT and digitization to automate transactions and has reduced shipping discrepancies by 97%, resulting in savings of time and money.

With the increased reliance on technology across the food supply chain, the threats to cyber security become even more challenging. GCCA members ranging from single facility companies to companies with locations worldwide have been targeted with cyber-attacks. Those attacks, coupled with high profile incidents involving the meat and oil industries highlight the risks to the supply chain. GCCA encourages USDA to work with the Department of Homeland Security and industry to develop additional resources to assist the food industry in strengthening cyber security.

Pandemic and Shifts in Consumer Buying Patterns

Challenges with recent food supply disruptions presented by the pandemic were not due to a shortage of food in the US. Rather, disruptions were largely caused by consumers shifting how and from where they were purchasing food.

Grocery (retail) and food service (restaurants) are the two main channels by which consumers access food. Both channels have very different requirements as to size of packaging, preparation, and distribution supply chain channels. According to a National Restaurant Association (NRA) report in January 2020, 51 percent of the US Consumer dollar spend was at restaurants in 2019. At the beginning of the pandemic, the US experienced what seemed like shortages in the grocery stores for two main reasons 1) abrupt shifting consumer buying patterns 2) surge buying.

In a matter of days, the US consumer shifted from purchasing 50 percent of their food from restaurants to 100 percent grocery as the nation sheltered in place. Restaurant and Grocery have two different channels (customer/vendor relationships) that do not typically crossover.

One of the challenges related to shifting consumer patterns is that current packaging practices are very different between food service and retail. For example, food processors package specifically for restaurants in much larger quantities such as 20-pound packages, while packages for retail are usually much smaller, such as 2-pound packages. In many cases, product in 20 lbs and 50 lbs packages could not be used for retail and sat idle in cold storage facilities. This created the illusion of food shortages. Even today, some cold storage facilities have restaurant product that is still sitting in their warehouses.

We appreciate USDA and FDA providing regulatory flexibility to facilitate some shifting of product from food service to retail during the pandemic. We recognize there are some regulatory and even private sector limitations to how product can be redirected. However, the future ability to redirect food products between channels will be imperative to mitigate the impacts of shocks to the supply chain.

Development of allowances in standards/regulations for low-risk food items to be converted from bulk to retail packaging during emergency situations could limit shortages, reducing waste and lost product. This could be done by building packaging option capacities at the food processor that transforms the food to have the capability to shift restaurant (bulk) packaging to consumer packaging so that they could shift to the different channels Grocery/Restaurant if needed. The issue could also be addressed at the end of the supply chain, where distribution centers or grocery stores could breakdown restaurant quantity packaging to consumer packaging.

Another challenge to the food supply chain was surge panic buying. It is important that US consumers have confidence in the food supply chain and that product will reliably be on the shelves. Surge buying creates a bubble that takes time for food production and distribution to catch up. The problem is compounded as once shelves are bare, the consumers continue to surge buy when available which creates additional bubbles. Better end-to-end supply chain visibility would help provide stakeholders, government, and consumers the confidence in the cold chain distribution.

The shift in consumer patterns also impacts refrigerated transportation. Within cold chain transportation, equipment in distribution to the grocery and food service is very different in specifications and design. The workhorse of grocery is a 48' to 53' refrigerated trailer, as opposed to food service distributors that may require a 28' or 36' refrigerated multi-temperature trailer to

distribute multiple stops in smaller areas. When these two channel competitors attempt to work together, the smaller refrigerated trailers due to their capacity make them harder to utilize in the grocery business. These two very different distribution channel segments will need to continue to communicate and work with one another to help ensure efficient asset utilization in the future.

Cold Chain Capacity and Infrastructure

Supply chain infrastructure for cold storage capacity is reliant on planned cycles of food producers harvesting produce and proteins. During the pandemic, supply chain disruptions caused challenges to the efficient flow of import and export containers. This disruption has caused many of our members to face significant per diem, detention and demurrage charges outside of their control. The disruption in flow of containers also led to added fuel and energy costs to keep refrigerated containers at the proper temperature to preserve food safety and quality while our members waited for the supply chain to move. Supply chain disruptions have also caused increased costs related to critical materials and inputs and led to much longer lead times in procurement.

The capacity issues that were experienced were due to supply chain breakdowns within overlapping cold storage needs due to exports that were not able to be transported to the ports for distribution. As an example, in protein, when production agreements for exports are executed, the protein must be harvested at a certain time. If the ports are limited or closed, then it must go to cold storage. Capacity reached its maximum at certain cold storage facilities with the additional pressure of committed space for the produce growing season overlapped and created challenges. These challenges have caused the need for some refrigerated trailers to be used for storage (as opposed to transportation) to hold product that was destined for export that could not move because ports were closed or backed-up. It is important that the infrastructure of our ports for both imports and exports be modernized and automated to prevent the slow down or stoppage of commerce.

The food industry continues to experience significant challenges at port terminals. One of the major issues is a lack of land used to return empty containers. Currently, imports are exceeding exports on the west coast and in some cases, containers are returning to Asia empty, even though there is a large quantity of US product destined for export that needs access to the containers. We anticipate that this situation will be exacerbated with “back to school” and the upcoming holidays later in the year. Predictable and consistent access to refrigerated containers will be critical to ensuring an efficient food supply chain in the future.

There are also challenges regarding the capacity for refrigerated transportation equipment. Current build times for key equipment are backed up to next year and prices are increasing due to raw material sourcing, component delays and current Covid restrictions. Trailer manufacturers are having to slow their lines down due to lack of availability of components needed to build the units. Raw material is not stable in pricing, so it is difficult for manufacturers to provide pricing to their customers. Demand is high and the lines are closed out for the entire 2021 year. These issues will continue to place a strain on the food supply chain.

It is important to note that industry cannot build a supply chain specifically designed to handle a pandemic, as a significant percentage of the cold chain capacity would be idle during normal times. Instead, we should look for ways to build flexibility and collaboration within supply chain to meet potential disruptions in the future. Both government and industry will need to work together to build flexibility and cooperation to fill those gaps in a state of emergency.

Limitations of USDA-FSIS Policies and Staffing

Staffing levels of FSIS personnel represent another capacity challenge for the cold chain. We greatly appreciate the dedication and commitment of FSIS employees during the pandemic to maintain inspection operations. However, even before the pandemic, our members have reported that an increase in FSIS inspection capacity would enable increasing in exports and imports of meat and poultry.

We urge the Department examine the possibility of increasing the number of FSIS inspectors who can support exports and imports across the country. We also recommend that inspectors be authorized to handle both export and import inspections. The current lack of inspection capacity is leading to inefficiencies in the supply chain. For example, some members have given up attempting to unload and inspect containers in the same day. As a result, they unload the container, palletize the cargo and put it away in the freezer to be presented for inspection at a later time when an inspector is available. This adds significant costs and inefficiencies to the supply chain.

We strongly recommend that FSIS reexamine the current “50 mile” rule that limits import inspections to facilities within 50 miles of a port of entry. This policy limits the number of available facilities to move product for inspection and creates significant bottlenecks at the ports moving cargo in and out. Eliminating or modifying this policy would increase food supply chain capacity and throughput, thus strengthening the resiliency of the supply chain and helping alleviate congestion.

The availability of federal veterinarians to sign export documents is another limiting factor for supply chain efficiency. While GCCA appreciates FSIS efforts to facilitate greater usage of electronic means for processing export documents, some countries maintain the requirement for wet signatures by veterinarians. In some cases, members drive over 150 miles each way to secure signatures, pay costly couriers to transport documents for signature, or utilize overnight shipping services. The current system places a strain on both industry and agency resources, creates delays, and causes costly inefficiencies. GCCA urges FSIS to work with countries to eliminate/modify wet veterinarian signature requirements and examine alternative methods for meeting signature requirements to improve the efficiency of exports through the food supply chain.

Governments in some countries, such as New Zealand, accredit certain industry participants as import inspectors. The activities conducted by industry on behalf of the government mirrors the responsibilities of the government officials, thereby allowing the government personnel the opportunity to focus on other priorities. Currently within FSMA, FDA provides allowance for accreditation of third-party auditors for foreign supplier verifications. Perhaps a similar process could be developed to accredit import inspectors within industry. To further enhance supply chain capacity, FSIS could consider a similar application for US imports, based on risk, volume and priority.

Labor Constraints

The pandemic has placed strains on the labor market, causing major costs to our members. Whether it is a lack of childcare or concerns about using mass transit, our members have faced a labor shortage during this pandemic to meet the growing demands. To stay operational, our members have been paying overtime and premium pay rates to those who are healthy and willing to work and in addition many have hired outside labor, which often comes with a hefty price tag.

Even as lockdowns ease, finding labor continues to be a challenge. While facilities have increased the starting wages and adjusted the pay of experienced workers along with the minimums increase, many

people are choosing not to work in cold environments, even for more money and benefits, over unemployment or working in unskilled positions. This is driving many companies to look at automation systems, which require automation technicians and additional specialty training in fields where there is not yet a developed pool of workers.

Access to sufficient drivers for refrigerated fleets also remains a challenge, as the market for drivers is very tight. Further complicating the driver market are concerns about safety while on the roads in cities where civil unrest is taking place. Not only do they fear being stopped by protestors/rioters, but they fear the legal repercussions they could face from any claims made against them by protestors/rioters while performing their work.

Drivers have also commented on their own safety in areas where law enforcement agencies are being defunded/disbanded. As materials become scarce, we are seeing an increase in targeting food and “essential items” shipments. A lack of available law enforcement and competing needs for their attention places a heavier physical and mental burden on drivers to protect themselves and their livelihoods.

COVID Stimulus Funding and the American Rescue Plan

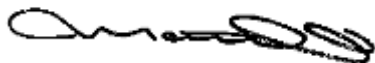
GCCA members experienced, and continue to experience, significant added expenses as they worked to maintain the viability of the food supply chain. While the Paycheck Protection Program provided limited assistance to some of our members, the revenue focused nature of the program does not account for the extraordinary additional expenses faced by our industry. Access to grants under the Stimulus Package and the American Rescue Plan would provide much needed relief to help our members through this difficult time. We request that grants be made available to food logistics companies to help offset COVID related expenses including:

- PPE, cleaning, and worker protection technologies
- Detention, demurrage, and related costs of supply chain disruptions
- Labor costs

GCCA also encourages USDA to utilize funds from the American Rescue Plan to provide loans to food logistics companies to help strengthen the food supply chain for the future. The financial impacts of the pandemic have placed major constraints on the ability of our members to invest in facility improvements and capacity expansions. Resources were shifted away from capital budgets to address the extraordinary expenses incurred responding to the pandemic. Loans should be made available to provide viable capital options so these companies can strengthen their infrastructure to meet future supply chain needs.

Thank you for the opportunity to provide comment on behalf of GCCA and its members across the cold chain. The food supply chain has shown great resiliency throughout the pandemic, thanks to the efforts of essential workers. However, there are opportunities to address challenges and strengthen the food supply chain for the future. We stand ready to support USDA as it reviews the food supply chain and considers new policies. Please let us know how we can be a resource and support these important efforts.

Sincerely,



Matthew Ott, CAE, CMP
President & CEO