



**HB800 – Public Safety – Emergency Management – Price Gouging Consumer
Protections
Economic Matters Committee
February 16, 2022**

Position: Unfavorable

Background: HB800 would impose regulations and restrictions on price increases for certain goods and services during a State of Emergency.

Comments: The Maryland Retailers Association (MRA) recognizes the seriousness of price gouging and its impact on consumers. In fact, several of our retail members have indicated that they already implement price freezing policies on certain essential goods during States of Emergency. We agree that bad actors who seek to take advantage of consumers during a time of need should be addressed, but we have concerns about the potential impact of HB800 when prices rise for reasons outside of a retailer's control.

1. The bill does not indicate if or how possible infractions are to be reported to and/or investigated by the Office of the Attorney General. Our members have expressed concerns about the impact that this could have on their day-to-day operations, with no details included in the bill regarding the full process that would follow the report of an alleged violation.
2. Though we appreciate that the bill includes clear language regarding the time frame that a business has to respond to an alleged violation, we have concerns about the method for notice and response, particularly as the bill does not indicate how the Office of the Attorney General must notify businesses. Given the impact that the COVID-19 pandemic had on the operations of the United States Postal Service during Maryland's State of Emergency, we are concerned that businesses may not have an appropriate amount of time to respond to a notice if communications are similarly impacted during future States of Emergency.
3. The burden of proof rests with the businesses, but the bill does not detail the process for providing proof of increased costs, nor does it indicate if there will be different expectations for independent vs. chain stores or stores of different sizes.
4. The bill authorizes a private right of action for anyone impacted by a violation of the proposed regulation. Given the scope of items and services included in the proposal and the potential number of individuals who could be impacted if a violation were to occur, we believe that this is inappropriate and that any action should be limited to the Office of the Attorney General.

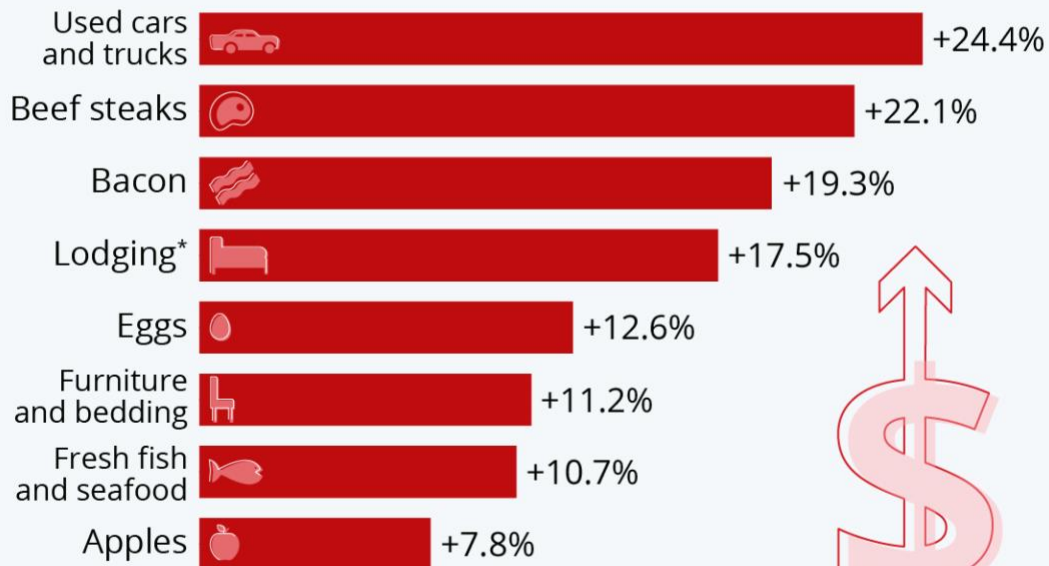
5. The time frame for restricting prices (limiting the top end of pricing based on the prices during the period of 60 to 4 days before the start of the State of Emergency) is confusing, and does not take into account the possibility of extended States of Emergency such as what Maryland has experienced during the COVID-19 pandemic. The United States is currently experiencing record-high inflation rates, and the price of goods and services in late 2021 are not comparable to those of early 2020. This is of particular concern for fuel pricing, which as we know can fluctuate very quickly in a short amount of time based on the global economy and natural disasters. We do not believe that this is an appropriate method for determining limits for price caps.

The overwhelming majority of increased prices that consumers are experiencing now can be attributed to supply chain issues, product and labor shortages, shipping delays, and increased inflation. In a survey conducted by the National Retail Federation in 2021, all retail respondents reported that their supply chain costs have increased at every level. These increases and high inflation rates have caused prices to go up on everyday goods such as meat, eggs, produce, furniture and bedding (examples available in graphic below). If another extended State of Emergency were to occur, a 10% cap on price increases may not be feasible.

It is difficult for us to fully weigh in on the potential impact of the bill as it does not include many regulatory details that could affect retailers' regular operations. Based on this lack of detail included in the bill and the rate at which product costs have continued to rise, we would respectfully urge an unfavorable report on HB800. Thank you for your consideration.

U.S. Inflation Hits Cars, Meats, Lodging

Year-over-year change in the price of selected items on the Consumer Price Index (Sept 2020-Sept 2021)



Urban consumers
* away from home

Source: Bureau of Labor Statistics



statista

(Source: Buchholz, K. October 25, 2021. *Apples, beef and cars: This is how inflation is impacting prices in the U.S.* World Economic Forum.

<https://www.weforum.org/agenda/2021/10/us-inflation-hits-cars-meats-lodging/>)

What's Causing a Jam In My PB&J?

A complex mix of global supply chain challenges — from weather to shipping to labor — has resulted in some of your favorite products either costing a bit more or being harder to find on grocery store shelves, including some everyday staples, like the ingredients in a classic peanut butter and jelly sandwich.

Jelly/Jam

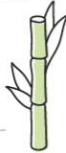
Citric Acid:

A preservative that keeps jarred items shelf-stable is in short supply amid soaring demand and global logistics disruption.



Sugar:

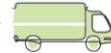
Domestic sugar prices are at a 10-year high, fueled by a lack of domestic raw sugar cane supply combined with transportation and labor challenges.



Peanut Butter

Transportation:

Many peanuts are transported domestically by rail and trucks, which has been delayed by supply chain disruptions and labor shortages that have also increased costs.



Vegetable Oils:

Oils used to make peanut butter have suffered from shortages, poor harvests, and a 70% increase in soybean oil costs.



Whole Wheat Bread

Packaging:

Supplies of cardboard boxes are low due to a number of factors, including increased demand for online shopping and higher costs for freight and raw materials. The box shortage has made it difficult to ship and stock bread in some parts of the country.



Wheat:

Weather-related crop losses in major wheat-producing countries and a smaller U.S. crop have strained supplies and increased costs.



Workforce Challenges

Labor shortages at every stage of the food industry supply chain, including producers, truck drivers, distributors, and retailers, are affecting grocers' ability to bring some products to the shelves; 80% of food retailers say workforce challenges are negatively impacting business.



FMI.org

