

June 23, 2020

The Honorable Jerome Powell
Chairman, Board of Governors
Federal Reserve System
Eccles Federal Reserve Board Building
Washington, DC 20551

The Honorable Steven Mnuchin
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Chairman Powell and Secretary Mnuchin:

Our associations represent retail businesses in the convenience, grocery, vending and unattended retail, and motor fuels sectors. All of these businesses have been designated part of the essential critical infrastructure workforce by the Department of Homeland Security during the COVID-19 pandemic.

The convenience industry includes more than 150,000 stores that handle about 160 million transactions per day. While the typical convenience store is a very small business - about 62 percent of the convenience industry consists of single-store operators - the industry as a whole makes sales that represent more than 3 percent of total U.S. gross domestic product. Grocery industry sales are even larger, amounting to \$800 billion per year, and the industry employs about 6 million people. In addition, vending and unattended retail locations in the United States serve nearly 40 million customers daily, employ over 150,000 hardworking Americans, and generates \$26 billion in economic impact annually. The industry estimates that 45-60% of those sales are derived from cash payments.

These industries need to efficiently process large volumes of consumer transactions every day and many of those transactions are paid in cash. A critical, but largely unseen, part of these businesses' operations, then, is obtaining sufficient amounts of coins to be able to handle cash transactions and provide customers with change.

We were alarmed to hear that the system for distributing coins throughout the country is at the breaking point. The Federal Reserve's announcement on June 11th that it will have to ration the distribution of coins across the country came as a shock. Some of our member businesses are being told that they cannot get coins from their banks at all. This threatens the functioning of our member businesses and, by extension, the needs of their customers.

Cash represents more than one-third of all funds transacted in-person by U.S. consumers and that number rises to nearly half of all funds for transactions of less than \$10. These transactions are at risk and there are not good alternatives. Lower income Americans, many of whom do not have ready access to full banking services, rely more heavily on cash payments than others. For example, cash represents 43 percent of payments made by people with annual incomes under \$25,000 and 35 percent of payments made by people with annual incomes between \$25,000 and \$50,000. These Americans will be at the greatest risk of having their normal purchases disrupted if the shortage of coins is not addressed quickly.

It appears there are three primary ways to address the coin shortage: 1) the Federal Reserve could distribute more coins from its inventory to ensure that economic activity is not disrupted; 2) the U.S. Mint could increase coin production to meet these needs; and 3) distribution of coins could be prioritized for consumer businesses in the essential critical infrastructure workforce that most need coins to complete cash transactions with individual Americans.

Based on feedback from our member businesses, this situation is already an emergency. This is the time for the Fed to fully use its coin inventory to relieve this problem and for the Mint to redouble its efforts to ensure we replenish reserves at the Fed and at financial institutions so that this problem does not happen again. We strongly urge a rapid focus on both of those options so that option three does not become necessary. In addition, we would appreciate guidance from the Federal Reserve on potential merchant operational responses as our member companies are going to have to make quick decisions about customer engagement as they face this shortage in real time. Above all, however, we ask that you take rapid action to address this problem.

Thank you for your prompt consideration of the concerns that businesses in our industry face.

Sincerely,

Food Marketing Institute
International Franchise Association
National Association of Convenience Stores
National Automatic Merchandising Association
National Grocers Association
Retail Industry Leaders Association
Society of Independent Gasoline Marketers of America