



THE VOICE OF FOOD RETAIL

Feeding Families  Enriching Lives

**FMI Chairman Fred Morganthall Comments
at Midwinter Executive Conference**

8:15 to 8:45 a.m. – Monday, January 30, 2012
Orlando, FL

Welcome

- I want to thank Steve Junqueiro, President and COO of Save Mart Supermarkets, for chairing Midwinter and for his introduction and welcome. Chairing this event is a big commitment, and I know we all thank Steve for his willingness to serve in this capacity.
- Welcome to Orlando. We appreciate all those attending for your support of this year's Midwinter. This is America's most visited city, where amusement parks seem to be around every corner. For those of you so inclined I hope you take some time to enjoy what the city has to offer.
- As you just saw in the opening video, this is FMI's 35th birthday. We are glad you are here to help us celebrate. The Midwinter show is an important event for FMI, if you have suggestions on how to improve the event going forward, please do not hesitate to talk to Leslie Sarasin, her team, myself or the officers. Rest assured, our desire is for continuous improvement.

Let's Look Back at 2011

This year it felt like the executive branch of our government turned to the regulatory side to accomplish what could not be accomplished from the legislative branch. This has kept your Government Relations staff busy. You'll hear more about this tomorrow from Jennifer Hatcher, FMI's Senior VP for Government Relations, but let me touch on one issue.

Debit Card Swipe Fee

- In 2011, the food retail industry achieved a major political victory getting this issue addressed legislatively and foiling attempts to stall debit card reforms from being implemented.
- Some of that "win" got mitigated by the ultimate regulation ruling issued by the Federal Reserve.

- The Fed's final ruling varied greatly from earlier proposed rulings and greatly diminished the level of relief our industry will see.
- Ultimately, the final ruling departed so dramatically from the original legislative intent, that FMI and others are legally challenging the Fed's final regulations.

Future Connect

- Participants at the 2011 version of this leadership development conference - Reach New Heights- rated this year's array of speakers and presenters higher than ever.
- This event continues to grow and meets a real need in our industry: to help cultivate the next generation of leaders.
- We continue to work to improve this event and make it a true "must-attend" educational event. We all will get out of this only what we put into it as attendees. I want to commend Kroger for the way they have structured their participation in the event to make it a great learning experience for their associates.

Comments on status of FMI staff

Leslie has been hard at work building a staff to serve a very diverse membership.

Some of our members are focused almost solely on what we accomplish on the government relations side. Others are focused on food safety offerings, while, others are looking for education or a sharing point for loss prevention and IT professionals.

FMI cannot be all things to all people, we must, however, build a team that can provide service to the single store operator, our nation's largest retailers and our associate members.

In my visits with Leslie and her team, I have seen the team in action and I can assure you that they get the need to serve a diverse audience and how the different members fit together.

FMI's End of Year Review is now available for those wanting a detailed overview of 2011

- It provides a department by department synopsis of 2011 accomplishments.
- Also gives you a handy directory in the back of names, numbers and email addresses of FMI staff so you know who to contact when you need something.
- A copy of this was at your place when you entered, but if you want additional copies, they are available on the FMI website. www.fmi.org.

What's ahead in 2012:

Strategic Plan

- 2012 is the final year of FMI's current three-year strategic plan – instituted when Leslie came on board. With 30 % of time remaining, we have already accomplished almost 80% of the plan.
- The Strategic Thinking Committee met this week and plans are underway to develop the plan plotting FMI's direction for 2013 – 2016.
 - This committee is led by Ed Crenshaw of Publix.
 - On the screen you will see a list of the other 20 committee members serving with Ed.
- This is very important work. The direction this group agrees on will form the action plans for FMI staff for the next three years.
 - We want your input on where FMI needs to head over the next three years. Please feel free to contact Ed or any member of the committee to voice your opinion. I will be happy to take your comments this week, or by email or phone. My contact information is on the screen.

FMI2012; the Food Retail Show, pillar of FMI's year.

- Neil Golub is chairing this years May Show and doing an excellent job developing this show around the theme "*Know Your Customer.*"
- It is co-located with the shows hosted by American Meat Institute, United Fresh Produce Association and National States Departments of Agriculture.
- You might say, "So big it had to be in Texas."
- Relevant stats: almost 90% of floor space is sold, many people have already registered, and I trust you are among those.
- This is a key event for FMI, our industry and for your company. As we discuss this event in our meetings, I notice an interesting conflict. We veterans of the business remember the event fondly as a place and time where we could go and get on top of the business. We expected to see new items and new ideas that we could bring back to our businesses and implement. As we have all grown more knowledgeable and competitive, our category managers have voiced their concerns to our supplier partners that they did not want to see anything new. NOW since they see very little new, our category managers see no reason to attend. I would submit to you this industry DOES need a trade show where we all can see new ideas and learn to improve our business.

- So here is my ask, bring your category managers to the show, encourage them to set appointments to meet suppliers at their booth. Make sure their vendor partners are aware they would like to meet with them. And finally, encourage your industry friends and peers to attend. Only in this way will we make this THE industry show again.

Foundation Dinner

- The Board of Trustees for the FMI Foundation approved the Foundation focus of **research and education in the areas of food safety, nutrition and health.**
- In support of our goals the Foundation is hosting it's first-ever **Industry Leadership Dinner, to be held April 30, 2012** in Dallas as we open FMI 2012.
- This dinner will become an annual affair, a keystone of the Foundation's resource development. Everyone here is invited to buy a ticket and urged to attend.
- Our whole industry benefits from the Foundation's work in such areas as *Listeria* research, produce safety, and the customer educational guidance it provides regarding health and wellness issues, nutrition needs and the use of industry resources such as MyPlate and Meat and Poultry Nutrition labeling.
- If you have already contributed in support of the Foundation's work, Thank you. If not I strongly urge you to attend the **Foundation's Industry Leadership Dinner** and learn more about what they are doing, because I am convinced that will motivate you pledge your support.

We are in the middle of a Key Election Year

- Our already challenging legislative & regulatory environment promises to get even more complicated.
- In 2011, you've seen FMI Government Relations team turn more to grass roots advocacy efforts – calling on your support and help – expect that to deepen in 2012.
- If all the recent state caucuses/ conventions have taught us anything, it is that every single vote counts and every voice matters. Use yours in 2012 ... especially when FMI calls. Many of you have direct contact with your Senators and Congress Persons. That one to one contact means more than you may realize.
- In this key election year, your participation and your company's active presence on the Hill is absolutely crucial. FMI's 2012 Washington Public Policy Conference is March 28 and 29 in D.C. This is an important event for all retailers. From the senior executives, to independent operators to your government relations staff, every voice of our industry needs to be heard by our elected officials. What a great opportunity for us to speak in a unified voice.

- One of the best ways you can ensure that your voice is heard loudly and clearly, is by making a contribution to FMI's PAC program. Administered by a representative committee, PAC enables us to make campaigns contribution to those candidates proving sensitive to the issues impacting our industry.

Food Safety issues will remain a crucial industry concern

- In this regard, FMI provides a number of resources that we MUST utilize and demand that our providers and employees adopt. I think will all know that when any retailer in our communities we serve, faces a food safety issue, that issue transfers to all retailers in that market. We as an industry must all get better at ensuring that the food we sell is safe WE OWE IT TO EACH OTHER! There are three tools that FMI provides us to help ensure what we sell is safe, These include:
 - SQF – this is FMI's program for third party auditing of our suppliers, ensuring safe quality food.
 - SafeMark – this program gets our employees educated and trained in the safe handling of food and is the only program of its kind specifically designed for food retailers.
 - Rapid Recall Exchange – this program is designed to facilitate the speedy exchange of recall information – it only works, if we USE it and have strongly expressed the expectation that our suppliers are not just signed up, but are participating properly. While enrollment is high in Rapid Recall Exchange it is not yet being used as the first line of communication when recalls occur. If we, supplier and retailer do not adopt, we will face regulatory help.

Where Industry is headed

- We have seen and will continue seeing an increased emphasis on health and wellness issues, coming at us from two directions: one, rising from the direction of individual consumer concern and also descending from the national level as a public policy concern – (in part driven by healthcare costs/national security/productivity issues related to the obesity problem).
- Opportunities and challenges arising regarding healthy environment and sustainability issues particularly as they relate to the food industry's energy and water use and reduction of food waste.
- Game changing role of technology
 - Offering a means of improving supply chain and store operating efficiencies,

- But also – through social media - changing the nature of advertising, marketing and customer relations - we operate in an environment of growing consumer empowerment.
- As you and I know, these trends are white-cappers - powerful waves capable of either compelling you forward or swamping you. I am glad to say FMI is informed, connected and actively providing the resources we need to use the power of these trends to our advantage.
- I believe that our collective and collaborative strength as an industry is far greater than the sum of the challenges we face. With FMI proving a strong ally and source of industry cohesion, the food retail industry will not just survive, but will thrive.

There is one more item, I wish to address with you that I have purposefully saved for last. I want to share with you about the progress we have made with the Trading Partner Alliance and FMI collaborations with other associations.

- Clearly FMI 2012 being co-located with American Meat Institute, United Fresh Produce Association and National States Departments of Agriculture provides a powerful statement of FMI leading in a multi associational collaboration.
- But specifically in the work taking place between Grocery Manufacturers Association and FMI there have been some great strides taken: through the Trading Partner Alliance (TPA) we have formalized our shared objectives across several strategic pillars, allowing for the union and co-mingling of many shared committees.
 - Additionally, TPA has overseen the successful combination of separate conferences on Strategies for Growth, Supply Chain, Reverse Logistics and Sustainability into single industry-wide opportunities.
 - And there are the shared projects: Facts up Front (Nutrition Keys) and Food Waste Management Initiative.

I have another area of collaboration I wish to make known and that entails a special announcement. To help me share this exciting news with you, I'd like to have Pam Bailey, President and CEO of the Grocery Manufacturers' Association, ConAgra's Gary Rodkin, Chairman of GMA's Board and Leslie Sarasin, FMI's President and CEO join me on the platform.

(Leslie joins Fred at the lectern, Pam and Gary close behind.)

Fred: As many of you know, GMA – representing the manufacturer side of the food industry and FMI –covering the retailer side of the street, have been challenged by their respective boards and members to find ways to maximize industry strength through collaborative initiatives and

find those mutually shared areas where duplication can be eliminated and concentrated efforts would amplify effectiveness.

Leslie: You've already heard Fred enumerate many of the areas – committees, conferences and advocacy issues -- where these consolidations and collaborations are taking place to the benefit of both organizations and the entire food industry. But we are continuing to press for excellence when it comes to making the best use of the time industry leaders like all of you invest in being at events such as this.

Gary: GMA and FMI have already initiated many steps to bring FMI's Midwinter and GMA's Executive Conference events together, but both Pam and Leslie's respective staffs have taken a step back – critically evaluating what is key, crucial and most productive about both events – and together sought the means to streamline; wedding the two events into a more integrated happening where the retailer right hand and the manufacture left hand can work together in a more productive solidarity.

Pam: Like every good relationship, we will be respecting what each other needs and giving space for – such items as separate Board meetings and organizational committee meetings. And we will preserve key identifying elements such as GMA signature event, the Chairman's lecture and Hall of Achievement Awards, which include the Chairman's Reception and Dinner – hosted by GMA's general members and associate members. We feel we can take the best of both and make them better.

Leslie: And like every good relationship, there will be the creative energy that always accompanies doing things together, learning from each other, challenging and supporting each other - making each partner stronger than they were when they operated in solitude. The 2013 Midwinter format will benefit from the new program ideas and meeting possibilities emerging as this partnership continues to deepen and grow.

All Four: Together, our voice will be stronger and our efforts more effective. Join us and see.

Pause, all exit except Fred.

I thank you for your attention this morning. And now, I wish to introduce you to Mr. Alex Hase, Vice President, Sales for Retail Solutions who will introduce our next speaker.