

Good Morning. My name is Robert Schupper and I am the Dairy Category Manager for Ahold USA Retail. I am responsible for all aspects of the Dairy business for four retail banners in eleven states. One of the retail businesses that I am responsible for is Giant Food Stores. We are a significant retailer in Pennsylvania with more than 130 stores throughout the Commonwealth; the majority of those stores are in the Eastern and South Central part of the state. Before starting with Ahold I was employed by Wakefern Food Corporation (ShopRite Supermarkets) for 16 years and then The Great Atlantic and Pacific Tea Company (A&P) for 2 ½ years. I am an appointee to the Federal Dairy Industry Advisory Committee which has been charged with providing Secretary of Agriculture Vilsack with proposals to help the minimize milk price volatility and boost farm profitability. I currently serve on the North East Dairy Leadership Team and am a member of the Retail Advisory Council of MilkPep.

Giant Food Stores has always taken pride in being a large part of the communities in which we serve. Included in our mission statement are our core values which include four distinct headings, Community Engagement, Healthy Living, Climate Action and Sustainable Trade. Giant actively seeks out opportunities to work with local farmers and manufacturers through our work with the Department of Agriculture and the PA preferred program. In fact we recently had our annual PA Preferred show at the PA Farm Show Complex where Pennsylvania businesses had the opportunity to show their products to the individuals in charge of the assortment decisions for every category within the store.

When I started with Ahold one of my first tasks was to review the milk contracts that were ending. Even though I knew that we could procure milk cheaper by bringing it in from out of state, it was important to us as a company that we support the local economy and get our milk from Pennsylvania suppliers. We also continue to work with our current processor to make Giant brand milk 100% PA produced which would in turn make all of our milk eligible for the Over Order Premium. According to our Processor we are currently at 99% PA milk. Above the over order premium, our processor is paying Over price premiums for quality based on Somatic Cell count, components or quantity premiums. Besides purchasing our Corporate Brand milk in-state, we also make the local brands of milk available to our customers. Brands such as Swiss Premium, Rutters, Gallikers, Rosenbergers, Lehigh Valley, Schneider Valley Farms, etc. can all be found on our shelves available for purchase.

From a retailer's perspective, Pennsylvania has done a great job through the Pennsylvania Milk Marketing Board of protecting all parts of the supply chain. Through Minimum Retail pricing, the PMMB has not allowed retail price wars which have hurt the industry in many other states. In New York where every gas station sells milk as a loss leader, retailers are constantly battling with their processors for better costs. Those processors in turn look for opportunities to procure their milk at lower costs, putting pressure on producers.

By providing the minimum retails and costs, the PMMB system has allowed the retailer to partner with their processor to help drive sales and to take costs out of the system. We are currently working with our processor to reduce the amount of deliveries per week to

our stores. This will help us reduce the amount of times our backdoors are opened, eliminate paperwork, help both of our companies in their green initiatives by reducing the amount of fuel used and the resulting exhaust emitted into the air. We are confident that any savings as a result of our initiatives will be realized in the All Milk price when the cost replacement hearings are held. The more efficient we are as an industry the better off we all are from the consumer all the way back to the producer.

As a Pennsylvania resident and a strong supporter of local agriculture I am concerned as the rest of you are as to where the money that we are paying in over order premiums is going. We need to make a concerted effort to make sure that the money that Pennsylvania consumers are paying for milk makes it back to the producers for whom that money is intended.

The current system may need some tweaks to sure up some of the leakage of funds but we need to be careful not to scrap the entire process that is in place. We need to identify where that leakage is and fix it. To do so it will take the cooperation of all parties involved. Other states require retailers to report by item what milk items are sold through the register. With modern front end systems, reporting volumes is a simple task. By comparing retailer sales, processor sales and producer sales volumes we should be able to track down a portion of the lost over order premiums. By making sure that Coops distribute the money that they receive from the PA over order premium exclusively to PA producers is another way of making sure that the Farmers of the Commonwealth get the money for which it is intended.

We need to work together to protect the business of agricultural in Pennsylvania. Pointing fingers and placing blame will not get us anywhere but back here for more hearings. Identifying each area of opportunity and then putting a fix in place for that component is the best way to correct this issue. As one of my bosses used to tell me, "There is only one way to eat an elephant, one bite at a time."

Thank you