

P|F|M|A

Pennsylvania Food Merchants Association

2017 ANNUAL REPORT



Laying the Foundation
for a **STRONG** Future



2017 ANNUAL REPORT

The Pennsylvania Food Merchants Association is a trade association advocating for food retailers, wholesalers and affiliated businesses in Pennsylvania.

Our MORE THAN 700 retail members operate more than 3,500 retail food stores, employing more than 150,000 people in the Commonwealth.

WHAT WE DO

ADVOCACY

PFMA advocates for food retailers, wholesalers and consumer product vendors on the local, state and federal level.

RESEARCH

The association monitors legislative activity and researches regulations to help its members comply with all requirements.

COMMUNICATION

PFMA communicates all legislative and regulatory activity to members so that they can make informed decisions on whether to support or oppose the legislation.

BUSINESS SERVICES

PFMA provides a high quality coupon processing service to members. Its competitive rates and top-notch customer service make it a leader in the industry.



OUR MISSION

"The mission of the Pennsylvania Food Merchants Association is to improve the public image, effectiveness and profitability of companies in the retail and wholesale food distribution industry."

Laying the Foundation for a **STRONG** Future

WHO WE ARE...

WE HAVE

700

CORPORATE MEMBERS

WHO OPERATE

1,758

CONVENIENCE STORES

45

OTHER STORES

*(superettes, meat markets,
fruit markets, tobacco, etc.)*

34

WHOLESALE/DISTRIBUTORS

895

SUPERMARKETS

14

PHARMACIES

*(Standalone only
Many of our supermarket
members have pharmacies.)*

128

ASSOCIATE MEMBERS

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CHAIRMAN'S MESSAGE

YOUR INVOLVEMENT IN THE POLITICAL PROCESS IS CRITICAL

I was honored to accept the role as your chairman last May and since then I've been working with PFMA staff to protect the industry from burdensome regulations and meeting lawmakers to provide our views on legislation.

It's been a challenging year for the retail food business as we fought against new taxes, online competition and dealt with mergers and acquisitions.

In Philadelphia, it's been an especially tough year as the new beverage tax went into effect on January 1, 2017. To avoid paying the 1.5 cents-per-ounce tax, Philadelphians are shopping outside the city. The lost business led to job losses for supermarkets and the bottling companies, and it created a black market for taxed beverages.

To fight the tax, the American Beverage Association, PFMA and retailers filed a lawsuit against the city, charging that it is double taxing the consumers, who bear the brunt of the tax as distributors pass the costs onto them. Soft drinks are already subject to the Pennsylvania sales tax. After a Commonwealth Court upheld the beverage tax in June, the suit is still alive as the Pennsylvania Supreme Court agreed to review it. They plan to review it in May and we hope to have



PFMA Chairman
Jeff Brown
Brown's Super Stores

a decision by the end of the summer.

PFMA and its Philadelphia members have done media interviews, participated in rallies against the tax, wrote opinion pieces for the newspapers, shared their stories on social media and worked to inform customers about the tax. We need the public to become more engaged on this issue that threatens the most vulnerable city residents who, after living in food deserts, now have full-service supermarkets serving their needs and providing community support. All retailers should be concerned and take action on any similar legislation.



BROWN FIGHTS BACK AGAINST PHILADELPHIA BEVERAGE TAX

Urging city council to follow Chicago's lead and repeal a similar beverage tax, PFMA Chairman Jeff Brown, Brown's Super Stores, spoke about the impact of the Philadelphia Beverage Tax on his stores and communities during an October 19, 2017 rally at city hall.



Other small business owners and members of the Teamsters Union, representing the soda delivery drivers, were also on hand to ask Mayor Kenney to repeal the tax, which has hurt businesses and caused job losses.

CHAIRMAN'S MESSAGE



MEETING LAWMAKERS

As a business owner, Jeff Brown, has been very active in local, state and federal politics. He continues to advocate for the industry as PFMA's chairman.

At left, PFMA President & CEO Alex Baloga, Justin Evans, Giant Eagle; and PFMA Chairman Jeff Brown, Brown's Super Stores; welcome U.S. Congressman Scott Perry to the Fall Legislative Conference.

Statewide, PFMA successfully blocked proposals to increase the minimum wage, personal income tax, property tax reform, commercial warehouse services tax, tobacco and other tobacco products taxes, state income tax increase, a gross receipts tax increase on electric, telecommunications and transportation; a statewide beverage tax, and plastic bag fees.

We also worked with lawmakers to promote anti-skimming device legislation, adult beverage sales and distribution reforms; changes to the Supplemental Nutrition Assistance Program (SNAP) disbursement schedule; lottery and gaming enhancements for retailers, patent reform; and amendments to the vape/e-cigarette tax formula. In addition, PFMA advocated for and now has a seat on the Underground Storage Tank Indemnification Board to represent its members. Please review the legislative section of this report to learn more about these priority issues.

I urge all PFMA members to keep abreast of legislation through PFMA's newsletters and email alerts. When lawmakers propose legislation that would negatively impact your business, please get involved. Visit, write, call, text or email your lawmaker to let them know what this legislation will mean to your company. If you need assistance, PFMA is always willing to help guide you through the process.

Thank you for being a PFMA member. Together, we make the industry's voice strong.

Jeffrey Brown
PFMA Chairman
President & Owner, Brown's Super Stores

'I urge all PFMA members to keep abreast of legislation through PFMA's newsletters and email alerts. When lawmakers propose legislation that would negatively impact your business, please get involved. Visit, write, call, text or email your lawmaker to let them know what this legislation will mean to your company. If you need assistance, PFMA is always willing to help guide you through the process.'

— PFMA Chairman Jeff Brown



Brown met with Agriculture Secretary Russell Redding to discuss ways to get more Pennsylvania produced products in his stores. As a result, PFMA hosted an Agriculture Summit with the Pa. Department of Agriculture in October. Stakeholders met to discuss the challenges growers and retailers face in getting the products into stores.

PFMA LEADERSHIP: 2017



Chairman
Jeffrey Brown
Brown's Super Stores, Inc.
Westville, NJ



Vice Chairman
Richard Wood III
Wawa, Inc.
Wawa, PA



Treasurer
Thomas Cormier
Ahold-Delhaize
Carlisle, PA



Secretary
Frank Puleo
C&S Wholesale Grocers, Inc.
Robesonia, PA

Jeff Allen
Allen Brothers Wholesale Distributors, Philadelphia, PA

Samuel Anderson
Pump n Pantry, Montrose, PA

Carole F. Bitter
Friedman's Freshmarkets, Butler, PA

Bill Bracey
Bill's ShopRites, Covington Twp., PA

Ed Burda
Utz Quality Foods, Inc., Hanover, PA

Michael Cotherman
McLane Company, Shippenville, PA

Brent Cotton
The Hershey Company, Hershey, PA

Dan Croce
Acme Markets, Inc., Malvern, PA

Lisa Dell'Alba
Square One Markets, Inc., Bethlehem, PA

Joseph Della Noce
SUPERVALU, Inc., Mechanicsville, VA

Justin Evans
Giant Eagle, Inc., Pittsburgh, PA

Joe Fasula
Gerrity's Markets, Scranton, PA

Blaine Forkell
Wegmans, Inc., Allentown, PA

Scott Hartman
Rutter's Farm Stores, York, PA

Tom Jamieson
Shop 'n Save & Save-A-Lot, Uniontown, PA

Rick Maier
Bunzl Northeast, Philadelphia, PA

Barry Margolis
Cooper-Booth Wholesale Co., Mountville, PA

Gary McGuirk
Liberty USA, a division of Eby Brown, West Mifflin, PA

Richard McMenamin
McMenamin Family ShopRite, Philadelphia, PA

Dan McNabb
Castle Shannon Shop 'n Save, Castle Shannon, PA

Chuck Miller
Ellis Coffee, Philadelphia, PA

Steve Moller
Keystone State Distributing, Inc., Bethlehem, PA

Frank Orloski
Core-Mark International, Wilkes-Barre, PA

Jim Pulsifer
Altria Group Distribution Company, Richmond, VA

Paul Rankin
Country Fair, Inc., Erie, PA

Jonathan Resnick
Resnick Distributors, New Brunswick, NJ

Paul Sauder
R.W. Sauder, Inc., Lititz, PA

Louie Sheetz
Sheetz, Inc., Altoona, PA

Lisa Silberman
A.J. Silberman and Co., Indianola, PA

Randy Silverman
Klafter's, Inc., New Castle, PA

Rob Sincavich
Team Sledd, Wheeling, WV

Chris Trate
W.A. DeHart, Inc., New Columbia, PA

Joseph Tripi
Tripifoods, Inc., Buffalo, NY

Dean Walker
Boyer's Food Markets, Orwigsburg, PA

Jonathan Weis
Weis Markets, Inc., Sunbury, PA

WHAT KEEPS YOU UP AT NIGHT?

2017 was a year of change and transition for the food industry and PFMA in particular. In July, Alex Baloga became the third person to assume the President's position and staff worked with PFMA's annual meeting committee to plan our 65th anniversary of the official incorporation of the association in January 1953.

Since my departure from the administration of Governor Dick Thornburgh in August 1982 and the end of my tenure at PFMA, I have frequently talked to friends and professional associates about the things that keep us awake at night. That topic was reflected in a recent *Wall Street Journal* article written about one of the most famous Pennsylvanians, David McCullough, by his physician Dr. Thomas H. Lee.

The last patient I saw one recent Friday was an 84-year-old man with insomnia. He was the writer-historian David McCullough. I use his name and describe our conversation with his permission – in fact, with his encouragement. He thought it might be useful to others.

Mr. McCullough doesn't have trouble falling asleep; his problem is staying asleep. He has been waking up earlier, and then cannot drift off again – a common pattern for people in their 80's. He worries that he may be making matters worse by taking an afternoon nap. On the other hand, he really enjoys that nap.

When we discussed what kept him awake, he said "I have to tell you – part of it is worrying about what is happening in our country."

Another friend and native Pennsylvanian, our current Secretary of Agriculture Russell Redding, had a similar refrain when testifying before the House Agriculture Committee. In his words published in an issue of *Farm Shine*, he said,

"I recently testified before the House Agriculture Committee on the current state of Pennsylvania's dairy industry. I was joined by the Chairman of the Senate Agriculture Committee, Sen. Elder Vogel, whose background is in dairy farming, just like mine. During that session and recent budget hearings, I was asked by legislators what could be done to help. One representative asked if the dairy industry is costing me sleep. "Yes," I replied, "it is." I know the same can be said for many of you. Like you, I wake up at nights wondering how we got here and what the future holds. We find ourselves in a market where milk prices are increasingly subject to global market forces; where there are limits to what the United States, much less one state like Pennsylvania, can do to balance supply and demand. The trend we've seen in Pennsylvania over the last two decades may continue if we lose dairy farmers whose cows go on producing in someone else's herd, keeping downward pressure on prices while negatively impacting communities, farms and related industries."

After spending several semi-sleepless nights thinking about David McCullough, Russell Redding and friends who have trouble sleeping, I came across a 1999 *Progressive Grocer* report on the grocery industry:



PFMA President & CEO
(1987 - June 31, 2017)

President Emeritus
David L. McCorkle

Critical industry issues that create barriers between supermarkets and consumers become clear when comparing the executive outlook on headquarters problems with market research on shopper criteria for selecting a supermarket.

Critical consumer issues include the traditional concerns, including;

- 1. Cleanliness*
- 2. Lower prices*
- 3. Accurate price scanning*
- 4. All prices clearly labeled*
- 5. Accurate, pleasant check-out clerks*

Four of the top five issues related to activities assigned to employees. In addition, the quality and availability of trained, productive and helpful store personnel are responsible for five of the next 15 items on the consumers' top 20.

As might be expected, store marketing policies, store location and product quality, particularly in the meat, dairy and frozen food departments, and round out the top 20 services that shoppers seek in supermarkets.

In that year's poll, consumers ranked prepared meals to take out 44th on a list of the 45 criteria used to select a store.

Clearly, the political, business and personal changes that we are experiencing at the international, national, state and local levels create a climate for sleep deprivation – the real question is: How do we adjust to and accommodate the new order?

Dr. Thomas Lee's commitment to David McCullough was that he would write an op-ed describing their interaction; and share his advice to the author with others:

"At the end, we agreed that no medications were in order for his early awakenings, and there was no need to give up his afternoon nap. When he could not fall back to sleep, he should get up and work on his next book."

So, it is with continuing enthusiasm at PFMA headquarters that we look forward to tackling new challenges and opportunities that will result in more productive work and better sleep for all of us. Reading the annual report will give you an idea of the dedicated effort that our volunteer directors and professional staff expend to help you sleep better. Help us by communicating your ideas and improve our performance in 2018.

GOVERNMENT RELATIONS



MEET THE PFMA GR TEAM



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LEGISLATIVE COMMITTEE CO-CHAIRS



Jeff Allen
Allen Brothers
Wholesale Distribution
Philadelphia, PA



Joe Fasula
Gerrity's Supermarkets
Scanton, PA

MILK MARKETING BOARD UPDATE



Allen C. Warshaw is a retired partner of Rhoads & Sinon, LLP. He represents PFMA members on milk issues and at the Pennsylvania Milk Marketing Board hearings.

'In order to determine the costs of dealers and retailers, the board holds annual hearings at which the dealers and retailers present evidence regarding their costs.'

Minimum Milk Prices Expected to Fall

PFMA members have representation at the Pennsylvania Milk Marketing Board hearings. In Pennsylvania, the price of milk is regulated. The Pennsylvania Milk Marketing Board sets different minimum prices for all fluid milk products at the producer, wholesale and retail levels in each of six different Milk Marketing Areas.

At the producer, raw milk level, Pennsylvania minimum prices are based primarily on federally established minimum prices which change from month to month and can vary dramatically over time. Retail minimums reflect raw milk prices, dealer/wholesale costs, retail costs and a profit margin. Those prices change monthly with raw milk prices.

In order to determine the costs of dealers and retailers, the board holds annual hearings at which the dealers and retailers present evidence regarding their costs. For the past 11 years, PFMA has based its presentation of retail costs on the 2007 costs of stores which were deemed representative of the stores in the six Milk Marketing Areas in 2007. Each year, PFMA asked the Board to take those 2007 costs and adjust them monthly by the consumer price index.

Two years ago, the board's staff and one board member began questioning whether the group of stores ("cross-section") used to determine retail costs in 2007 were still

representative of the market. Unfortunately, given dramatic changes in the retail industry, their skepticism was reasonable.

For example, the group of stores selected in Area 1 in 2007 included three Wawas, two CVS', two Giants, a Rite Aid, a K-Mart, and an A Plus Sunoco. Walmart, Target and Costco were not included, because they did not exist or were not significant factors in the retail milk market in Area 1 or any other area.

As a result, this year, PFMA, in conjunction with the Pennsylvania Association of Milk Dealers, has directed its accountants to make a fresh calculation of retail costs using stores that are currently representative of the stores selling milk in each area. That process is ongoing and will be completed in time for the 2019 cost hearings

For a variety of reasons, including, but not limited to the inclusion of larger, presumably more efficient stores, retail costs and, therefore, minimum prices will likely fall. It is too early to predict how much. Clearly, efficient dairy operations will become even more important.

PFMA will continue to represent retailers at the Pennsylvania Milk Marketing Board hearings and will provide updates in the *Spectrum* newsletter and other communications.

GOVERNMENT RELATIONS



In 2017, PFMA's Government Relations team successfully prevented tax increases, tax shifts and fees. In Philadelphia, the Beverage tax went into effect and the association shared the devastating impact on the city's retailers with the media; partnered with other business leaders on a task force to develop ideas to get public engaged; and participated in a lawsuit to declare the tax illegal due to double taxation of consumers.

STATE ISSUES



Il lottery and IGaming Enhancements

PFMA successfully added an ilottery retail card, a .5% bonus commission program and lottery retail advisory commission to HB271 (ilottery/igaming legislation). The bonus program could represent up to \$20 million in new revenue for participating retailers, and the advisory commission should help PFMA members increase lottery sales and bonuses. HB 271 also included Video Gaming Terminals for truck stops and some fuel retailers that qualify. This could be another opportunity for additional revenue for PFMA members.

Medications for Redispensing

PFMA and its members requested the Pennsylvania State Board of Pharmacy revise the six-month redispensing date for medications to 12 months. The board voted to approve the changes to Chapter 27 of State Board of Pharmacy Standards. The final review and issuance of the regulations will still take some time and we will continue to update members as this moves through the process towards completion.



Plastic Bag Fee/Tax Preemption

House Bill 1071 would prohibit municipalities from passing plastic bag bans, taxes and fees on its retailers and citizens. It does allow for retailers to charge their own fees. This bill sends a major message to other municipalities who would consider enacting harmful policies on businesses and their customers. Unfortunately, Governor Wolf vetoed the legislation, which has bipartisan support in the House and Senate.



Underground Storage Tank Indemnification Board

PFMA finally gained a seat on the Underground Storage Tank Indemnification Board (USTIB) as the House and the Senate voted to amend the Storage Tank and Spill Prevention Act to remove the disbanded Middle Atlantic Truck Stop Operators. HB 290 passed on December 6, 2017 and the governor signed it this year.

Pennsylvania leaders proposed many tax increases to balance the state budget. PFMA was able to block these harmful proposals including: property tax reform, which would have shifted the tax burden to employers and working families in the form of increased and expanded sales taxes and higher personal income taxes; a minimum wage increase proposed by Governor Tom Wolf, which raised the minimum wage to \$12/hour with no phase-in period and tied the minimum wage to inflation going forward; a commercial warehouse services tax that would have removed the sales and use tax exemption for public warehousing and commercial storage businesses in Pennsylvania; a Gross Receipts Tax increase that would have been added to electricity bills and telecommunications and transportation purchases; and a tobacco tax increase proposed for cigar purchases.



Stop-and-Go Liquor Establishment Bill

Lawmakers developed HB 1547 to address the issue of stop-and-go, problem liquor license establishments in Philadelphia by lumping all licensees in a specific zip code together to create a nuisance zip code, and putting certain restrictions and conditions on those businesses which would be created by the PLCB. All restaurant license holders would have been at risk for this unfair (nuisance zip code) designation, and subjected to these additional restrictions and regulations with almost complete authority and oversight by the PLCB. PFMA successfully blocked this bill's passage; however, a scaled back version of this bill was included with the budget agreement in 2017.

Progress on other State Issues

Anti-Skimming Device/Fraud

PFMA helped secure House passage of Representative Kristin Phillips-Hill's legislation which seeks to eliminate and punish the use of fraudulent credit card devices by criminalizing the use of a scanning or skimming device, the use of a re-encoder, and the possession or sale of a skimming device. The bill awaits further action in the Senate.

Paid Leave Preemption

Senators John Eichelberger (R-Blair, Cumberland, Franklin, Fulton & Huntingdon) and Lisa Boscola (D-Lehigh & Northampton) introduced legislation to prohibit local municipalities from passing paid and unpaid leave ordinances. The legislation passed in committee.

SNAP Disbursement Schedule Changes

The current Supplemental Nutrition Assistance Program (SNAP) disbursement schedule hinders efficient store operations as the counties that distribute SNAP benefits on one day guarantee a run on stores to use the benefits, often clearing store shelves of products. PFMA supports a staggered approach to distributing

Unfair Trade Practices & Consumer Protection Law

House Bill 475 would have raised the minimum penalty from \$100 to \$500 in cases of minor violations to the Unfair Trade Practices and Consumer Protection Law. PFMA helped block its passage, since the bill would have increased costs for members and would have been a boon for trial lawyers.



Rep. Kristin Phillips-Hill announces her anti-skimming legislation is under consideration by the House Judiciary Committee. Supporters include Rep. Keith Gillespie; Rep. Dawn Keefer, Rep. Mike Regan, York County District Attorney Tom Kearney, Patrick Conway, Pa. Credit Union Association; Detective Richard Blais, Southern Regional Police Dept.; and Greg Rowe, Pa. District Attorneys Association.

the benefits. Senator David Argall (R-Berks) introduced a bill that would require the Pennsylvania Department of Human Services to spread out the distribution over 25 days, to help resolve product inventory levels. Representative Tarah Toohil (R-Luzerne) introduced a companion bill in the House. The legislation is awaiting action in the Senate Public Health and Welfare Committee and the House Appropriations Committee.

LOCAL ISSUES Philadelphia

Philadelphia remains a difficult battleground for legislation impacting businesses. Following a dismissal of a legal challenge by the industry, the new Beverage Tax went into effect on January 1, 2017. The 1.5 cents per ounce tax is enacted on thousands of products.

PFMA joined a broad-based business coalition to oppose the tax and create public interest in demanding its repeal. Unfortunately, businesses are suffering as consumers continue to buy their beverages outside city limits. Overall business is down by 7-8% and beverage sales are down 40-50%.

A bit of hope remains for a repeal as the Supreme Court has agreed to review the industry's position that this is double taxation this spring.



Grocery Store Restrictive Covenant Legislation

Councilwoman Cindy Bass introduced an ordinance that would have restricted grocery stores with more than 15,000 square feet of space located in a food desert from preventing another grocery store from buying it during transition of sale. It would have also refused a commercial license for any grocery store that had a restrictive covenant in its lease.

Predictive Scheduling and Paid Family Leave

Philadelphia Councilwoman Helen Gym proposed introducing a bill requiring larger chains in the retail, restaurant, fast food and other establishments to provide an advanced schedule for their employees. PFMA relayed its opposition to the bill, but the issue will likely come up again in the future.

Council also proposed paid time for family leave and this will also likely come up again in 2018.

Progress on other State Issues

Commerce Court Establishment

Rep. Seth Grove's (R-York) bill, allowing the superior court to establish a commerce court to hear cases regarding internal business issues, passed the Pa. House and awaits further action in the Senate. The bill would allow the superior court to establish a commerce court to hear cases regarding internal business issues.

Patent Reform

By working with its allies, the association was successful in having legislation introduced on the state level to help address the issue of patent trolls. HB 1775, introduced by Representative Todd Stephens (R-Montgomery), will likely move from the House Judiciary committee early in 2018.

Vape/E-cigarette Tax Reform

PFMA supported Senator Camera Bartolla's (R-Beaver, Green & Washington) legislation to amend the vape tax formula from the current 40 percent tax on the wholesale price to a five-cent per milliliter tax. The legislation passed out of the Senate Finance Committee by a vote of 9-3. A companion bill, introduced by Representative Jeff Wheeland (R-Lycoming), also passed the House Finance Committee. We will continue to push for further action on the Senate and House bills in the coming year.



LOCAL ISSUES Pittsburgh



Unlike its sister city from across the state, Pittsburgh remained pretty stable this year. An ordinance that would have required employers to pay a minimum of one hour of paid sick leave for every 35 hours an employee works in the city limits was struck down by the Common Court Pleas, who determined the city did not have the legal authority to do so.



FEDERAL ISSUES

Tax Reform

President Donald Trump kept his campaign promise to enact comprehensive tax reform for the nation. The largest tax code overhaul in 30 years will take effect in 2018.

Large businesses in the top corporate tax rate will see their 2018 tax rates drop from 35 percent to 21 percent (on income over \$10 million). Corporations praised the reform and some provided employee bonuses, extra 401K match, or donations to charities.

Under the tax reform, small business owners of sole proprietorships, partnerships, and S corporations are now allowed to exempt 20 percent of their income from taxation, thus reducing their overall tax rate.

Border Adjustment Tax (Tax Reform Legislation)

In the tax reform legislation lawmakers included a border adjustment tax on goods imported to the United States and eliminated the ability of companies to deduct the cost of imports. PFMA opposed the tax and it was removed from the final tax reform bill.

Debit/Swipe Fee Reform

A provision in the Financial Choice Act (HR10) would have eliminated the Durbin Amendment, which limits fees charged to retailers for debit card processing. It was passed as part of the Dodd-Frank financial reform legislation in 2010. PFMA worked with its national association partners to have the provision removed.



Menu Labeling

The Food and Drug Administration (FDA) regulation requires retailers with more than 20 locations to implement food labeling. FDA extended the compliance date for menu labeling requirements from May 5, 2017 to May 7, 2018 to allow for further consideration of opportunities there may be to reduce costs and enhance the flexibility of these requirements beyond those reflected in the final rule. PFMA worked closely with its national partners to push for this delay and will continue to advocate for a permanent fix on the federal level with passage of the Common Sense Nutritional Disclosure Act.

Nutrition Facts

The U.S. Food & Drug Administration (FDA) delayed indefinitely the implementation of a new nutrition facts label that would enlarge calorie counts, itemize added sugar and bring serving sizes in-line with *actual average portions*. PFMA worked with its national partners to lobby Congress and the FDA for a delay.

NLRB "Joint Employer" Standard for Business Liability

PFMA assisted in successfully advocating with legislators, national partners and the Trump administration to rescind a previous National Labor Relations Board (NLRB) rule regarding the standard for "joint employers." NLRB now says a business can be held liable for workplace law violations at another company only if it has "direct control" over the second businesses' workplace. The association supported efforts to rescind the rule through the legislative and regulatory process.

Renewable Fuel Standards

The industry successfully blocked a petition to the Environmental Protection Agency (EPA) to change the point of obligation for the renewable fuel standards program. Under the Renewable Fuel Standard (RFS), oil refiners must blend renewable fuel into the fuel supply. They are the point of obligation since they must comply with the law.



ASSOCIATION SERVICES

ASSOCIATION TEAM TRANSITIONS TO NEW LEADERSHIP

After more than 30 years, Pennsylvania Food Merchants Association President & CEO David McCorkle stepped down from the day to day management of the association on June 31, 2017. He promoted Alex Baloga to become the third president and CEO in the association's history, while he moved into a part-time role as president emeritus. He continues to promote the association and meet with elected officials on the members' behalf.

Baloga joined PFMA five years ago as director of government relations. He was promoted to director of government and public relations in 2014 and to vice president of external relations in 2015.

PFMA's nine staff members keep the association operating efficiently and effectively. In addition to association work, PFMA operates a business subsidiary, Pennsylvania Coupon Redemption Services, Inc. PFMA and PCRS staff are available to answer member questions on legislative and regulatory issues, communications, committees, member services, business services and events.



"It's been an honor to serve PFMA members and the food industry. I have had great support from the board and staff through the years and I am thankful for the many great friends I have made in the industry."

**—David McCorkle
PFMA President & CEO
1986-2017**

MEET THE PFMA STAFF



Alex Baloga
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David McCorkle
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Autumn Thomas
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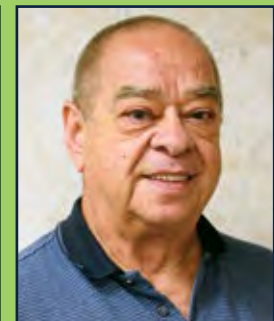
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Lenny Semick
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ASSOCIATION SERVICES: ANNUAL CONFERENCES



AGRICULTURE SUMMIT

Day two of the Fall Legislative Conference featured an Agriculture Summit for retailers and growers to meet and discuss the challenges of getting Pennsylvania-grown products into stores. Pennsylvania Agriculture Secretary Russell Redding moderated a panel with representatives from the produce trade, Pennsylvania Farm Bureau, Penn State Extension and PFMA Chairman Jeff Brown, Brown's Super Stores, who represented retailers. There were also many retailers in the audience to share the issues they have with bringing in new products. They planned to meet again during the Farm Show to take action on the issues discussed.

In addition, PFMA recognized five members for their advocacy efforts this year. Our 2017 Defenders of the Food Industry are (pictured at right) Lisa Dell'Alba, Square One Markets; Justin Evans, Giant Eagle/GetGo; PFMA President Alex Baloga, Chairman Jeff Brown; Tom Cormier, Ahold-Delhaize; Ray Charley, Charley Family Shop 'N Save; and Frank Puleo, C&S Wholesale Grocers.

PFMA hosted an Agriculture Summit on October 11 at the Harrisburg Hilton. Agriculture Secretary Russell Redding, right, lead panelists in a discussion about getting more Pennsylvania-grown products to supermarkets and convenience stores. Panelist included, from left, Emily Best, Tuscarora Growers Cooperative; Joe Watson, Produce Marketing Association; Darrin Youker, Pennsylvania Farm Bureau; Jeff Brown, Brown's ShopRites and The Fresh Grocer; and Brian Moyer, Penn State Extension.



WEBINARS PROVIDE FREE LEARNING OPPORTUNITIES FOR PFMA MEMBERS

PFMA continued to build on its successful webinar sessions last year. Associate members provided valuable content for our members.

Adin Hamilton of Groom Energy Solutions presented "Prioritizing, Planning and Deploying Demand-Side Energy Efficiency Upgrades" on March 7, 2017. The session explored how retailers are developing targeted energy efficiency upgrades to reduce operating costs within their facilities. It also provided insights into the strategies being deployed across the industry, and how to identify the appropriate applications and technology to reduce operating costs and energy consumption in their own businesses.

On May 2, Lisa Burke of KeHe Distributors shared "What's trending in the Natural and Specialty Foods Industry." The session provided great insight on this growing category.

Taylor Tommasino of Baker Tilly finished the 2017 sessions with a presentation "Today's Cybersecurity Landscape" on August 8.

Members who weren't able to participate in the webinars were able to access them online to review at their convenience.

Associate members who have expertise on a particular topic that they would like to present should call the PFMA office at 800-543-8207 to discuss presenting a webinar to our members.

COMMITTEES

PFMA'S committees meet regularly via conference call or in person to discuss issues related to their specialty. The committees are: Legislative, Food Protection, Loss Prevention and Pharmacy.

In addition, PFMA updates members of the Fuels, Human Resources, PennDOT Work Group and Sustainability committees regularly and hosts meetings when necessary.



COMMITTEE CHAIRS



Legislative

Jeff Allen

Allen Brothers
Wholesale Distribution
Philadelphia, PA



Legislative

Joe Fasula

Gerry's Supermarkets
Scranton, PA



Food Protection

Steve Oswald

Wakefern Food Corporation
Elizabeth, NJ



Loss Prevention

Lou Mola

Wawa, Inc.
Wawa, PA



Pharmacy

Paul Granger

C&S Wholesale Grocers
Robesonia, PA



Sustainability

Patti Olenick

Weis Markets, Inc.
Sunbury, PA

Food Protection

The Food Protection Committee, which met in the spring of 2017, provides members with information to help them prevent foodborne illnesses in their stores, and discusses laws and regulations on food safety, best handling practices, agro-terrorism, and other related issues.



Members also received eight updates throughout 2017, informing them on topics of interest, including changes to menu labeling regulations, good agricultural practices and good handling practices (GAP/GHP), and the USDA Food Safety Outreach Program. All committees also receive any relevant advocacy alerts and updates that are sent to the Legislative Committee.



Fuels Committee

The Fuels Committee gives members the opportunity to learn more about the legislative and regulatory issues concerning the storage and sale of fuels, and to network with their colleagues who operate fueling stations. Members received six updates on topics such as the Underground Storage Tank Indemnification Board and Fund, tobacco regulation changes, and updates from the Fuels Institute.



COMMITTEES

Loss Prevention

The Loss Prevention Committee provides members with opportunities to network with other loss prevention professionals, design and conduct effective loss prevention campaigns, and discuss relevant issues. Two regular in-person meetings were held in the spring and fall of 2017, and one executive meeting was held with the Pennsylvania Attorney General in November to discuss increasing and coordinating efforts with Attorney General Josh Shapiro's office to combat organized retail crime in Pennsylvania.

Committee members also received four updates throughout 2017, informing members of related issues and events, such as cybersecurity updates, the state's anti-skimming campaign, and loss prevention conventions.

Legislative Committee

The Legislative Committee meets by phone on the last Wednesday of each month to keep members updated on PFMA's activities and legislative priorities. The committee also receives a weekly update by email, which contains PFMA activities, news clips, and information on bills. In 2017, PFMA sent 34 advocacy updates which are designed to both inform members of critical issues and allow them to easily contact their legislator in support or opposition to legislative actions. An additional 42 PFMA Updates were sent out to the Legislative Committee and related committees, including bill summaries, analysis, feedback requests, notices, and other information.

Human Resources Committee

The PFMA Human Resources Committee discusses issues relating to personnel, including wages and hours, hiring and firing, personnel policies, and union/collective bargaining procedures. The committee meets as needed, and PFMA is working to hold the next meeting in early 2018. PFMA sent committee members three informational updates in 2017 on issues such as changes to the U.S. Department of Labor's Overtime Rule, minimum wage initiatives, and workers' compensation.

Pennsylvania Pharmacy Council

The Pennsylvania Pharmacy Council is intended to give members an opportunity to learn more about issues in the retail pharmacy industry, such as technician certification, pharmaceutical accountability monitoring (PAMS), and real-time tracking of ephedrine/pseudoephedrine purchases. The Pa. Pharmacy Council met in September 2017 to discuss Pharmacy PACE Reimbursements (Pharmacy Dispensing Fees) in the state budget. PFMA provided Committee members with four updates throughout 2017 on those fees, as well as on pharmacy standard revisions.

PennDOT Work Group

The PennDOT Work Group only meets as needed, and did not hold a meeting in 2017. The committee is intended to give members an opportunity to review PennDOT policies and practices relating to the issuance of Highway Occupancy Permits, and other land use and development issues. Members did receive three updates on changes being made by PennDOT to the issuance of Highway Occupancy Permits; however, those changes were meant to streamline the process by removing outdated segments of the regulations.

Sustainability Committee

PFMA's Sustainability Committee focuses on environmental sustainability issues, including reducing food waste, environmentally friendly packaging, reducing consumption of power/fuels, and other food sustainability initiatives. The committee meets as needed, and PFMA is working to hold the next meeting in early 2018. PFMA provided committee members with four updates throughout 2017 on the Pa. Department of Environmental Protection's listening tour, food waste, and recycling issues.

PFMA Offers Annual Conference & Educational Topics



ANNUAL CONFERENCE

PFMA returned to Hershey for its annual conference, May 8-9, 2017 at the Hershey Lodge. Members enjoyed a friendly golf tournament to kick off the festivities at the Hershey Country Club. They moved to the Hershey Lodge for the reception and dinner featuring former governor, Tom Ridge of Ridge Global as the guest speaker. Ridge lauded the 2017 Thomas R. and Laura Ridge Scholars in attendance and invited each of them to the podium to tell the audience where they are attending college.

The following day, Sauder's Eggs provided freshly made omelets for breakfast attendees. Speaker Mike Turzai, Pennsylvania House of Representatives, spoke about the year's proposed legislation and his vision for Pennsylvania's future.

Educational Sessions

Attendees had the opportunity to choose from three education tracks on Family Business and Entrepreneurship, Legislative and Technology.

The Family Business and Entrepreneurship sessions featured Mary C. Nicoletti, director, The Initiative for Family Business and Entrepreneurship, who discussed resolving family conflicts to help your business thrive, and she lead a separate panel discussion with business owners who have already followed through with their succession plan. Howard Dorman, CPA, Mazars USA, examined succession strategy to assist business owners.

The Legislative education focused on wine and tobacco. RJ O'Hara of Flaherty & O'Hara explained how to obtain a license to sell beer and wine in your stores, while Katie Pelowski, Fetzer Vineyards, explored marketing and pricing tactics for wine. Matt Solkowski and Jim Millar of the Pennsylvania Department of Revenue discussed newly implemented tobacco and other tobacco products taxes and the process of paying taxes to the Pennsylvania Liquor Control Board, charging tax to the consumer and getting reimbursed by the Pennsylvania Department of Revenue.

Technology sessions featured Saint Joseph's University professor Dr. Ernest Baskin on data analytics; Christine Cline of Retale on mobile strategy; and a panel discussion on driving sales in-store and online with emerging technologies.



Former Pennsylvania Governor Tom Ridge talks to the Ruiz family during the Annual Conference Dinner in Hershey last May. Ridge scholarship recipient Ignacio Ruiz, Acme Markets, Wilmington, Delaware, is studying information systems management at Wilmington University.



Meg Major, formerly with Progressive Grocer and now Winsight Media, moderated the technology panel discussion during the annual conference. Major, left, joined panelists Steve Henig, Wakefern/ShopRite; Justin Hadwin, Peapod by Giant; and Dave Makar, Rosie, for a photo following the discussion, which focused on eCommerce and digital communications with consumers.



Right, Katie Pelowski, Fetzer, helped retailers identify Pennsylvania wine consumers and their preferences during a session at the conference in Hershey.

ASSOCIATION SERVICES: ANNUAL CONFERENCES



Mary Nicoletti, St. Joseph's University The Initiative for Family Business, led a discussion about family business succession planning during the PFMA Annual Conference in Hershey. Seated, from left, Rich and Sean McMenamain, McMenamain Family ShopRites; Joe Fasula, Gerrity's Supermarkets; and Dwain Weaver, Cleo Weaver and David Nesland, Triangle Refrigeration Company. All the panelists had great insight on family succession, since they had all recently gone through the process.



R.J. O'Hara of Flaherty & O'Hara explains the beer and wine licensing process and requirements to conference attendees.

FALL LEGISLATIVE CONFERENCE

On October 9-10, 2017, PFMA hosted its Fall Legislative Conference and Agriculture Summit.

U.S. Representative Scott Perry met PFMA members and spoke during the conference luncheon, where he announced plans to tackle tax reform during the legislative session.

The education sessions focused on eWIC acceptance and tobacco. Emily Iem, project manager for the eWIC Program, presented an education session to help retailers prepare for eWIC acceptance.

Barry Margolis, Cooper-Booth Wholesale Company, moderated a panel on the outlook of the tobacco category. Steve Kottak, R.J. Reynolds, and Eric Barker, Altria Client Services, discussed the importance of grassroots efforts at the local level to prevent further sales restrictions and taxes.

National Grocers Association President & CEO Peter Larkin spoke about the outlook for the food industry and changes the Trump administration could bring to businesses.



Scott Hartman, Rutter's, introduced U.S. Congressman Scott Perry at the Fall Legislative Conference luncheon, where he talked about tackling tax reform.



Barry Margolis, center, Cooper-Booth Wholesale, introduced Steve Kottak, R.J. Reynolds; and Eric Barker, Altria Client Services, who discussed fighting tobacco sales ordinances at the local level.



Emily Iem, project manager for eWIC, presented a session to assist retailers in preparing for eWIC acceptance.



National Grocers Association President & CEO Peter Larkin spoke during the Fall Legislative Conference dinner where he provided his thoughts on the state of the retail food industry and the federal legislative session.

COMMUNICATIONS

Communicating with PFMA Members

In 2017, PFMA kept members informed through email, newsletters, press releases, its website and social media.

PFMA leadership participated in interviews with the local and national news media in an effort to educate the public on some high profile issues.



Enhanced Communications & Public Recognition

PFMA continually works to improve communication with its members. Email alerts are sent daily to keep members updated on the latest legislative and regulatory activity, committee meetings and emergency alerts. The association's newsletter, the *Spectrum*, is published nine times a year and includes legislative and regulatory issues, member store openings, news and other industry related articles.

PFMA also maintains social media pages on Facebook, LinkedIn and Twitter to keep the industry, legislators and other interested followers informed on the latest industry news, photos, conference updates, member news and PFMA services. In addition, the association provides information and articles on its website at www.pfma.org.

Members who have an upcoming anniversary, event or store opening/remodel are encouraged to call the office to have a staff member attend or provide photos and a press release for use in the newsletter and on social media.

Media Coverage

PFMA worked hard to share the industry's views on legislation and regulatory issues by talking to the media and providing comments for news articles.

The year started off with the very contentious Philadelphia Beverage Tax as it was implemented in January 2017. PFMA worked with Ceisler Media to present a united message on the Philadelphia Beverage Tax and its impact on PFMA members and their customers. While it dominated the news, PFMA also responded to media requests about adult beverages, store closings, credit/debit skimming, tobacco and the hurricanes' impact on product supplies. The association was quoted or mentioned 45 times in media outlets last year.

In 2017, PFMA sent press releases responding to Philadelphia Mayor Jim Kenney's attack on the grocery industry in regards to the Philadelphia Beverage Tax; applauded the legislature's passage of a bill amending the Storage Tank and Spill Prevention Act; and commended the House for passing a debit/credit card skimming prevention bill. PFMA also shared information from the Agriculture Summit in October; announced the Ridge Scholars, new board members and congratulated legislative awardees.

Getting the Word OUT!



PFMA was quoted or mentioned 45 times in the news.



281 people follow us on [Facebook](#) How about you?



We've [tweeted](#) 550 times. 71 people are following us. How about you?



Our [LinkedIn Group](#) has 394 members Join us and start a conversation.



SCHOLARSHIPS

Education Trust Helps Members Establish Scholarship Fund

PFMA members who would like to establish a scholarship for their company can do so through the PFMA Education Trust. By making a tax-deductible gift to the trust and designating that the funds be used to provide scholarships for their employees, employees' children or their children, the Education Trust serves as a vehicle for making tax-free scholarship awards. At left, Ruth Karns Rudderow presents Karns' scholarship to Patrick Fagan.

Thomas R. & Laura Ridge Scholarship

PFMA established the Thomas R. and Laura Ridge Scholarship 22 years ago with the Pittsburgh Association of Manufacturers Representatives (PAMR) and the North-western Pennsylvania Food Council (NWPFC). The scholarship is named in honor of former Pennsylvania Governor Tom Ridge's parents, Thomas R. and Laura Ridge. His father worked in the food industry for 25 years.

The organizations hosted a series of fund raising dinners, starting in 1995, to establish the fund endowment. PFMA members can also donate to the fund when they pay their annual dues.

Employees and the children of PAMR, PFMA and NWPFC member companies are eligible to apply for the scholarships in late November. All members are encouraged to advertise the scholarships by posting the PFMA-provided posters in their break room.

An independent judging panel selected 24 Thomas R. and Laura Ridge Scholarship recipients for 2017 based on their academic success, community and school activities, an essay and recommendations from their teachers and employers. They received \$2,000 to attend the college or university of their choice.

Several companies donate to the Ridge Fund to designate scholarships specifically

for their employees, while the other recipients receive their scholarships from the Ridge endowment.

2017 Thomas R. & Laura Ridge Scholars



Derek Arnold
Sponsor: Sheetz



Rebecca Beall
Sponsor: Giant Food Stores



Maria Daly
Sponsor: Wawa



Patrick Fagan
Sponsor: Karns



Andrew Gibson
Sponsor: NWPFC



Madelyn Grossman
Sponsor: Ridge Fund



Jacob Haibach
Sponsor: NWPFC



Cassidy Hayden
Sponsor: Ridge Fund



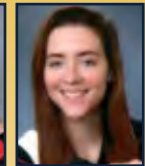
Mary-Catherine Ingaldi
Sponsor: NWPFC



Sophie Metz
Sponsor: Ridge Fund



Kiersten Millward
Sponsor: Giant



Ashley Morgan
Sponsor: Wawa



Shannon O'Malley
Sponsor: Wawa



Lauren Reichart
Sponsor: Wawa



Ignacio Ruiz
Sponsor: Ridge Fund



Alana Sanchez
Sponsor: Wawa



Colleen Scott
Sponsor: Ridge Fund



Morgan Scott
Sponsor: Sheetz



Jonathan Skee
Sponsor: Ridge Fund



Vivian Smith
Sponsor: Giant Food Stores



Emma Torija
Sponsor: Ridge Fund



Marc Wagner
Sponsor: Giant Food Stores



Kelly Weikel
Sponsor: Ridge Fund



Natalie Wynn
Sponsor: Giant Food Stores

ASSOCIATION SERVICES



SCP

**SCANNING
CERTIFICATION
PROGRAM**

Since 1991, the Scanning Certification Program (SCP) has helped participating retailers provide price accuracy and appropriate pricing information to consumers in Pennsylvania and surrounding states.



Autumn Thomas
SCP Executive Director
athomas@pfma.net

**For more information, contact:
Autumn Thomas,
executive director,
at 888-722-6727
or email her at
athomas@pfma.net.**

A Voluntary Price Accuracy Program

The SCP is a voluntary price accuracy program whose purpose is to help participating stores maximize the performance of their internal price integrity practices. In other words, to ensure that the prices of all items for sale in the store are clearly identified to customers and that shoppers are charged the corresponding lowest advertised price at checkout.

The SCP provides public recognition to stores that achieve and maintain a high level of price integrity. Adherence to program standards helps prevent overcharges that erode consumer confidence and undercharges that cost stores money. Certified stores also fulfill the Pennsylvania state requirement of Act 155 and Act 169 for the annual inspection of checkout scanning systems.

Guidelines of the SCP's best practices module require stores to adopt and advertise a price

accuracy policy, provide employees with price accuracy training, document and correct errors promptly and ensure that shelf tags are accurate and legible.

SCP auditors conduct periodic unannounced in-store inspections to test price accuracy and measure compliance with program standards. Certification is awarded to stores that have implemented program requirements and achieve a price accuracy score of at least 98 percent on a random sampling of items.

An inspections-only module is also available for retailers who desire to have the SCP provide only price accuracy testing and reporting. Adoption of SCP best practices is optional, but the price accuracy inspection techniques, scoring criteria and inspection intervals are the same for both the best practices and inspections-only tracks of participation.



SCP Growth

The Scanning Certification Program has grown significantly over the past 25 years. Membership increased from ten baseline study participants in 1991 to 1,038 stores today. Members include Acme Markets, Country Fair, Giant Eagle/GetGo, Giant Food Stores, Price Chopper, Sunoco, SuperValu- Pittsburgh, Tops Markets, Weis Markets and numerous C & S Wholesale -supplied and other independent grocers. Supermarkets make up 67 percent of the membership and convenience stores account for 33 percent.

Our six inspectors performed 1,261 inspections in seven states (PA, NJ, OH, DE, MD, WV & VA) last year, and audits take place any day of the week, although we usually visit stores only during normal daylight operating hours. The SCP's footprint is growing again in 2017 as we onboard approximately 70 new Acmes, including stores in Connecticut and New York.

The Scanning Certification Program was developed by a board of advisors, which continues to set policy and oversee all aspects of the program.

Edward D. Arnoldi

Pa. Association of Weights & Measures

Mary Bach

Consumer Advocate

Michelle Dorin

Weis Markets, Inc.

Melissa Fadelsak

Acme Markets

Dan Horman

SUPERVALU, Inc., Eastern Region

Dr. Drew Hyman

Pennsylvania State University

Ric LeBlanc

Pa. Office of Attorney General

David McCorkle

Pa. Food Merchants Association

Peg Rhodes

United Food and Commercial Workers

Pattie Shekiro

Acme Markets

Steve Swan

Retalix



The SCP Board of Advisors met in November. Clockwise from left, David McCorkle, PFMA, Dan Horman, SUPERVALU; Ric LeBlanc, Pa. Office of the Attorney General; Ed Arnoldi, Pa. Association of Weights & Measures; Melissa Fadelsak, Acme; Mary Bach, consumer advocate; and Autumn Thomas, SCP executive director.

SCP Helping Members Improve Price Accuracy

Most importantly, the SCP is meeting its core objective of helping its members enhance their price accuracy. Supermarket accuracy rose from 96.90 percent in 1991 to 98.48 percent in 2017. Convenience stores are working hard to improve their accuracy, which averaged 95.26 percent last year.

Price accuracy performance remains very store and, to a lesser extent, company specific — results are highly dependent on how well store-level employees understand and follow price integrity policies and procedures. SCP retailers and staff con-

tinue to work hard to achieve the highest level of price accuracy and, when necessary, address price accuracy problems that occur.

The SCP is a not-for-profit entity, led by a volunteer board of advisors and with management support from PFMA. All financial objectives were met in 2017, enabling inspection fees to be kept at their current level for the upcoming year. The fees paid by SCP members fund our entire operation and we're appreciative of our clients' continued support.

BUSINESS SERVICES



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Autumn Thomas
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Laurie Savoy
PCRS Account Manager
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Pennsylvania Coupon Redemption Services, Inc. (PCRS), the wholly-owned subsidiary of Pennsylvania Food Merchants Association (PFMA), enjoyed a very successful year of operation in 2017 including an increased demand for our services, the implementation of key coupon program enhancements and strong financial performance which supports other association initiatives.

In December, PCRS welcomed the members of the East Central Ohio Food Dealers (ECO) and Michigan Grocers Association (MGA) coupon programs to its direct client base. PCRS had been both associations' coupon processor for many years and when ECO and MGA made the decision to cease their coupon programs, they referred their retailers to PCRS.

"We've worked hand-in-hand with PCRS for many years," stated MGA Vice President Mike Hamelin. "They know the coupon redemption business better than anyone else, bar none, they're very good at it and extremely customer-focused," he added.

PCRS Expands Digital Coupon Processing

PCRS is also expanding its digital coupon processing business – most recently adding Redner's Warehouse Markets and now partnering with loyalty provider Accelitec. PCRS is the preferred processor for Accelitec retailer digital coupons with C&K Market, Inc., a 40-store independent grocery chain based in Medford, Oregon, the first retailer being onboarded. PCRS' other digital coupon clients are C & S Wholesale Grocers, Iowa-based Fareway Stores and the Utah Food Industry Association/Associated Food Stores.

PCRS processed more than 20,000,000 paper and electronic coupons last year for thousands of supermarkets, convenience stores and other retailers throughout the country. We put our years of experience and retailing perspective to work for retailers with:



COUPONS

Combating Counterfeit Coupons

PCRS is helping educate retailers about fake coupons with email blasts as new counterfeits become known and by posting pertinent information on our website at www.pfma.org. See the following pages:

[Counterfeit Coupon Alert](#)

[PCRS Sample Coupon Policy page](#)

PCRS also collaborates with the Coupon Information Corporation (CIC), a not-for-profit association of consumer product manufacturers aimed at fighting coupon misredemption and fraud. For more information or to see the latest counterfeit coupon alerts, visit the CIC online at:

<https://couponinformationcenter.com>

A LOW PROCESSING FEE: For only pennies per coupon, PCRS will handle the processing and payment of all paper and electronic manufacturer coupons.

PROMPT PAYMENT: PCRS pays on time, every time – and offers three payment plans for added flexibility.

NO EXTRA CHARGES: PCRS has zero miscellaneous fees and no fee for any manufacturer deductions a store may receive. Many PCRS competitors charge 16 cents or more for each coupon charged back.

FAST AND ACCURATE PROCESSING: PCRS utilizes the latest scanning technology, system controls and proprietary payments software to ensure you get paid properly for all coupons submitted.

SIMPLE SUBMISSION PROCESS WITH NO MINIMUM SHIPMENT SIZE OR FEE: There is no need to separate, sort or count your coupons. Simply keep them in a safe place after accepting them from customers and then submit them to PCRS every four to eight weeks to prevent expired coupon chargebacks from manufacturers.

DETAILED AND CLEAR PAYMENT REPORTING: The PCRS check and payment reports provide all the data necessary to help you track and manage this important segment of your business.

EXPERIENCED AND PROFESSIONAL CUSTOMER SERVICE: Receive full-time service for your full-time satisfaction. Guidance and assistance on coupon handling best practices, fraud issues and manufacturer deductions is always just a call or click away.

If you're not a current PCRS client, contact us for a quote. We'll work hard to earn your business and ensure a seamless transition to PCRS.

PCRS Upgrades Software & Systems

To accommodate a growing and diverse customer base, PCRS has invested heavily in upgrades to its proprietary paper and digital coupon payment and reporting software and systems. Many clients now receive entirely paperless payment and reporting and a Manufacturer Detail Report, which lists in descending order the coupon counts and face values of each manufacturer in a submission, has been added to the standard report package. PCRS applications run on a Linux-based operating system, which was recently virtualized to PFMA's server. This upgrade enhances back-up functionality and minimize downtime in a disaster recovery scenario.

Combating Counterfeit Coupons

When it comes to paper coupon redemption, counterfeit coupons are one of the biggest challenges facing retailers today. The current generation of fakes, usually created and posted on the Internet by hackers intent on causing chaos, are very high quality and can too easily turn a 50-cent coupon into a \$5 offer that is hard to detect at point-of-sale. Most fakes currently in circulation are for free products or high values and are produced on home-office equipment.

Counterfeits that aren't caught by the retailer create financial harm because the manufacturer will not accept them for reimbursement. Counterfeits that are detected at the checkout create a challenging interaction with the customer, who may be an unwitting participant in the fraud insofar as they downloaded what they thought was a legitimate coupon from the web. Any Internet print-at-home coupon deserves extra scrutiny by cashiers or self-checkout attendants – especially if the coupon doesn't scan at checkout or is for a free item. There are no valid Internet print-at-home coupons that offer a 100% or free product discount or have a face value in excess of 75% of the sale price of the product.

TREASURER'S REPORT

The opinion letter prepared by PFMA's auditing firm, Boyer & Ritter, is provided for the information of all members and interested parties. I am pleased that the management and PFMA auditors have compiled a thorough financial review and concluded that as of June 30, 2017, PFMA had:

Total Assets: \$2,400,205
Association Equity: \$ 940,543
Total Assets & Equity: \$2,400,205

Respectfully,
Thomas Cormier, Treasurer
Pennsylvania Food Merchants Association

PFMA

Pennsylvania Food Merchants Association



Treasurer
Thomas Cormier
Ahold-Delhaize

INDEPENDENT AUDITORS REPORT

Board of Directors
Pennsylvania Food Merchants Association & Subsidiaries
Wormleysburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statement of the Pennsylvania Food Merchants Association and Subsidiaries, which comprise the consolidated balance sheet as of June 30, 2017 & 2016, and the related consolidated statements of operations and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material mis-

Boyer & Ritter, Camp Hill, Pennsylvania
October 4, 2017

B&R Boyer & Ritter LLC
Certified Public Accountants and Consultants

statement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation the consolidated financial statements.

We believe the audient evidence we have obtained is sufficient and appropriate to provide as basis for our audit opinion.

Emphasis of Matter

As more fully discussed in Note 2, the Association sold its stock in a wholly-owned subsidiary in October 2015, to an independent buyer. The operating results presented in the consolidated statement of operations reflect both the ongoing activities and the discontinued operations of the subsidiary that was sold, including the loss realized upon sale.

Opinion

In our opinion, the consolidated financial statements referred to about present fairly, in all material respects, the financial position of the Pennsylvania Food Merchants Association and Subsidiaries as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Thank You!

Corporate Leadership Sponsors

PLATINUM



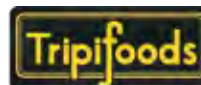
GOLD



SILVER



BRONZE



CONTRIBUTORS



KLAFTER'S inc.



Pennsylvania Food Merchants Association

*Advocating the views of convenience stores,
supermarkets, independent grocers, wholesalers
and consumer product vendors operating in
Pennsylvania.*

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