



FMI 2016

Year in Review



Dear FMI Family,



It is a given that each year is a bit different from the others, marked by singular events that make it unique. However, some years ring with particularities and surprising incidents that make it stand out even more from the rest because of its unusual qualities. In my estimation, 2016 is just such a year, a notch above the others for the surprises it held and deserving of the moniker, unlike the rest. Case in point, if twelve months ago my 2015 end of year report had contained the prediction that Donald Trump would be elected president, most of you would have given me gift cards for a psychiatric exam and reality check. Yet, here we are, having concluded 2016, hearing about cabinet picks and inauguration plans for President-elect Trump.

Even when we move from the national level to specific food retail industry concerns, 2016 held its fair share of quirkiness. Achieving congressional passage of a biotech labeling law was a demanding adventure with many plot twists and eccentric moments. In fact, it was such a big deal that it was included in *The Hill's* list of **Top 10 Lobbying Victories of 2016**. Other efforts, including those directed toward such issues as menu labeling, FSMA compliance, animal welfare concerns, revamping our event strategy and other challenges contributed their own novel quirks to 2016's distinct character. 2016 was truly a year unlike the rest.

Just as a prism takes a single ray of light and splinters it into its constituent spectral colors, to help make as much sense as we can of 2016, FMI is approaching its end of year reporting by breaking the year into 13 different spectrums of activity. Over the course of the following pages, you will view 2016 from the unique perspective of our different departments and covering the following topic areas:

- Government and Public Affairs
- Food Safety
- Voice of Food Retail; Communications, Consumer and Community Affairs
- Emerging Issues and Research
- Education and FMI Events
- Total Store Collaboration
- Membership
- FMI Foundation and Health and Wellness
- Fresh Foods
- Sustainability
- Supply Chain
- Private Brands and Asset Protection
- SQF – Safe Quality Food Institute

We hope you enjoy our many splended views of 2016 and wish you a prosperous 2017.

Warm Regards,

A handwritten signature in black ink that reads "Leslie G. Sarasin". The signature is fluid and cursive, written in a professional style.

Leslie G. Sarasin
President and Chief Executive Officer

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2016 Was More than Just an Election Year

By: Jennifer Hatcher, Chief Public Policy Officer & Senior Vice President, Government Relations

It is safe to say that most will remember 2016 for tweet policy, hacked emails and then its surprising election results at the federal level, but it's important to recognize what we did on your behalf this year.

The year of the regulation . . .

If there was a mantra for the final year of the Obama Administration, it was "Make this the year of regulation!" 2016 saw the *Federal Register* totaling over 90,000 pages and almost 500 significant regulations – a number of those affecting FMI members and most exceeding several hundred pages in length. If you are looking to find value in your FMI membership, try reading one of these regulations in totality and then you will be glad we have a team of folks to do that and give you only what you need to know!

Our work does not end with reading a regulation. In 2016, we put together nine webinars, issued regular timely regulatory alerts, **filed 13 sets of industry comments**, compiled several top notch compliance guides and held countless meetings and calls with agency officials, from the Secretary to the project manager, to ensure we can influence, communicate and help implement rules. Major policy issues in 2016 on which we led efforts included: food safety and Food Safety Modernization Act implementation; overtime rule and the Fair Labor Standards Act (FLSA); menu labeling and the Affordable Care Act (ACA); and biotechnology disclosure.

Playing Offense and Defense in Congress on GMO/biotech, Menu Labeling, Debit/Swipe Fee Reforms and More . . .

As we approach the end of football season, perhaps the best analogy to discuss this year's legislative activity is to say 2016 required that we play both offense and defense.

Regarding GMO/biotech disclosure – we were able to eke out a win in overtime, not with a brilliant Hail Mary pass, but by sheer muscle and persistence. FMI members and state associations engaged fully with meetings with Senators, letters, calls and operational examples of the craziness.

Restaurant **menu labeling** remained a 2016 priority issue for FMI and our members, as the May 5, 2017, compliance date nears. FMI led more than 200 food retailers, companies, and organizations in pressing Congress to enact the *Common Sense*



Senator Angus King (I-ME) spoke to FMI's Government Relations Committee during a committee meeting in November, providing an outlook of the upcoming months ahead in the 115th Congress and the new administration. He has been supportive of many industry priorities, including menu labeling.

Nutrition Disclosure Act (H.R. 2017/S. 2217) to fix substantive problems with FDA's application of "menu labeling" regulations at supermarkets. H.R. 2017 was passed with large bipartisan support in the House. FMI continues to work with Members of Congress and the Trump transition team to prioritize adoption of these needed implementation changes as soon as possible to avoid irreversible damage to supermarkets' food offerings.

In 2016, opponents of the 2010 debit reforms increased their efforts to repeal the law. House Financial Services Committee Chairman **Jeb Hensarling** (R-TX) introduced legislation that would essentially repeal and replace Dodd-Frank, including the industry-supported debit reforms. In 2016, FMI participated in over 150 congressional meetings in support of the debit reforms and to oppose efforts to repeal the law. In addition to the numerous press meetings, letters, and Capitol Hill meetings, FMI's Jennifer Hatcher authored **op-eds** to highlight the competition component of the debit reforms and how they have successfully fostered innovation and reliability while containing merchants' costs. We are now working to engage impacted consumers.

State and Local Legislation, Ballot Initiatives Increasing in Number and Importance. . .

While Capitol Hill and the White House dominate the headlines, an increasing amount of policymaking has emanated from the state level in recent years. Last year was no exception. In 2016, more than 2,000 bills potentially impacting our industry were introduced in state legislatures. On top of this, over 160 initiatives qualified to appear on 35 state ballots. And if state legislatures are the "laboratories of democracy," then city councils are the Bunsen burners – keeping the flames of activism burning. From plastic bag bans to paid sick leave mandates to restrictive scheduling and sugar taxes, cities, towns and counties in 2016 were a growing source of regulation on business. With the change in administration, this trend may only accelerate in 2017, as we learned in the FMI Regional State Legislative Meetings.



FMI's President and CEO, Leslie Sarasin, with Senator Pat Roberts (R-KS) during FMI's Day in Washington fly-in in April. Senator Roberts, Chairman of the Senate Agriculture Committee, was a champion in supporting passage of legislation to establish a federal standard for biotechnology disclosure.



FMI Board Chairman Kevin Davis, Bristol Farms, Inc. and FMI Public Affairs Chairman Todd Schnuck, Schnuck Markets, Inc., addressing a joint meeting of FMI's Public Affairs and Government Relations Committees in April. The committee meeting was held in conjunction with FMI's annual fly-in, which allows retailer and wholesaler executives to meet with lawmakers to address critical industry policy issues.

Fortunately, FMI is here to help wade through this staggering amount of legislative activity. FMI monitors over 80 issues affecting our industry at the state level and nine priority issues, as determined by our State GR Working Group, at the local level. When legislation moves, so do we, keeping you informed and ready. In 2016, we sent out 24 **State Issues Reports** and 52 **Local Monitoring Reports**, plus in-depth guides like our **2016 50-State Legislative Outlook** and the **State Ballot Measure Guide for the Grocery Industry**. Additionally, we participated in two coalitions on **two separate weights and measures issues** with successful passage. Finally, FMI State Affairs responded to more than 300 research requests to assist members and state association executives.

Political Programs – the Power of Voter Education and Member Advocacy. . .

FMI's **Food PAC and LEAD** are important parts of our grassroots efforts. This election cycle, FoodPAC raised \$325,804 and contributed \$233,346 to 107 candidates with a 93 percent reelection rate for FoodPAC-supported candidates. Thank you for your role in these efforts. Our political programs also ran a **non-partisan voter information site** providing information on registration, primaries, polling places, ballot initiatives and candidates. Some members even went a step further by providing their associates with information on specific ballot initiatives important to the company. FMI's LEAD allows us to have funds

to support political advocacy – public relations and research on behalf of a rule or bill or law, not a candidate. In 2016, we raised more than \$200,000 for LEAD with over \$100,000 raised through the **FMI Food Industry Golf Tournament** at our **Midwinter Executive Conference**.

Communicating Via Timely Updates. . .

These are just a high-level overview of some of the important issues and events that occurred during 2016. FMI publishes a **government relations report** for its members that provides a detailed overview of the public policy developments from the past week. Please sign up for FMI's **GR Report** or one of our many **other policy newsletters** if you or a representative from your company wish to receive regular communications about FMI's public policy and advocacy work.

Next up in 2017 – Developing a Plan. . .

2017 is sure to have a fast start. We have already had meetings with many of newly elected members of Congress even before they officially arrived in Washington, and we will be engaging with all the new faces early on both the legislative and regulatory sides.

FMI is in the process of surveying its members to determine the industry's priority policy issues for 2017 with the backdrop of a new president, new cabinet secretaries and the new 115th Congress.

Food Safety in 2016: Regulations, Resources and Relationships

By: Hilary Thesmar, PhD, RD, Chief Food and Product Safety Officer and Vice President, Food Safety Programs

The year of 2016 will be remembered for food safety regulations, resources and relationships. These three themes may appear rather divergent, but they served as the strands carefully woven into the life-line the **FMI Center for Retail Food Safety and Defense** extended to internal and external stakeholders this past year.

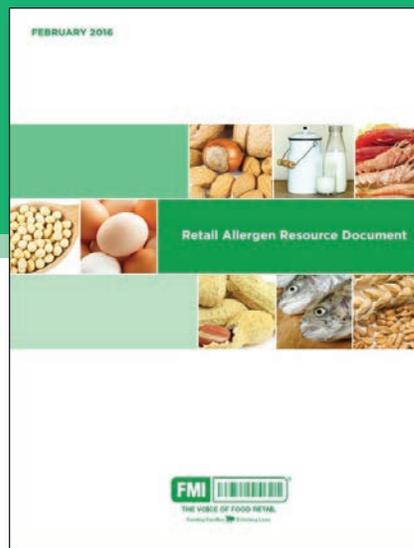
Regulations

Anticipating the changes a new Presidential Administration will bring always elicits a flurry of increased regulatory activity from federal agencies seeking to complete priority items before leaving office. The quantity and variety of regulations affecting the food industry in 2016 has been staggering for retailers, including: the publication of the final major Food Safety Modernization Act (FSMA) regulations, the complete revision of nutrition labeling, and the finalization of several U.S. Department of Agriculture (USDA) regulations on labeling and recordkeeping. Utilizing face-to-face meetings, webinars and an avalanche of emails, FMI's government relations and food safety teams coordinated efforts and remained in close contact with the various agencies through the entire regulatory process to ensure FMI members' interests were represented.

In order to help members better understand both the breadth and depth of the regulations coming down the pike, FMI and **Safe Quality Food Institute** offered several FSMA Preventive Controls Qualified Individual (PCQI) trainings this year. These were designed to meet the new FSMA PCQI requirement and to ensure our members were well-versed regarding FSMA compliance expectations.



FMI and food safety community members participate in the Food Safety Preventive Controls Alliance Preventive Controls Qualified Individual Lead Instructor Training.



Resources

To help members build their company's culture of food safety by steadily improving their food safety programs in 2016, FMI provided

members with the most relevant resources. FMI updated its **SafeMark®** Food Handler training program, which this year received recognition as an **American National Standards Institute**-accredited certificate program. This was a celebrated and important milestone in the continued growth and success of the SafeMark® program. The FMI food safety team also updated and created several critical resources in 2016, including a **Food Allergen Resource Document**, a **Listeria Action Plan for Retailers**, and a sample **FSMA Distribution Center Food Safety Plan** to assist with FSMA compliance.

Relationships

In this day of connected commerce, effective business relationships are essential to everything touching retail, especially improving food safety. We forged new relationships this year and expanded partnerships to enhance FMI's value to its members. In particular, we trust that our partnership with **Prometric**, FMI's new certification and exam provider for the SafeMark® food manager training, will enhance food safety certification opportunities in retail stores. The benefit of this alliance is twofold, as the training provided strengthens the valued food safety skills of the professionals at the retail level and also provides these associates with career advancing resources.

Food safety is the foundational building block of trust that must be present in the grocer-customer relationship. Knowing that trust is hard won, but easily lost, it must be constantly and consistently nurtured and supported. Throughout the year, FMI provided members with essential and practical tools for cultivating customer trust in the safety of the products being sold by offering numerous opportunities to network, collaborate with peers and share best practices regarding food safety and regulatory compliance.

Additionally, FMI's collaboration with academic, regulatory, industry and other trade association experts on technical issues advanced our knowledge and awareness of current and emerging issues to better support the food retail industry. These relationships are critical to anticipating the direction customer concerns and interest are headed, so our industry's food safety experts can stay a step ahead.

No matter what the 2017 regulatory agenda brings, FMI will continue to serve its members by providing regulatory support, developing relevant resources, and expanding our food safety network so food retailers can focus on what they do best—feeding families and enriching lives.



Hilary Thesmar, PhD, RD, chief food and product safety officer and vice president, food safety programs, consults with an attendee at the 2016 FMI Connect Conference.

Please feel free to contact the **Center for Retail Food Safety and Defense** for resources or solutions on any food safety issue and especially when you need us most -when a food safety crisis arises. You can also stay connected by following us on Twitter at **@FMI_FoodSafety** or **signing up for updates**.

Amplifying the Voice of a Noble Cause

By: David Fikes, Vice President, Consumer/Communication Affairs and Communication

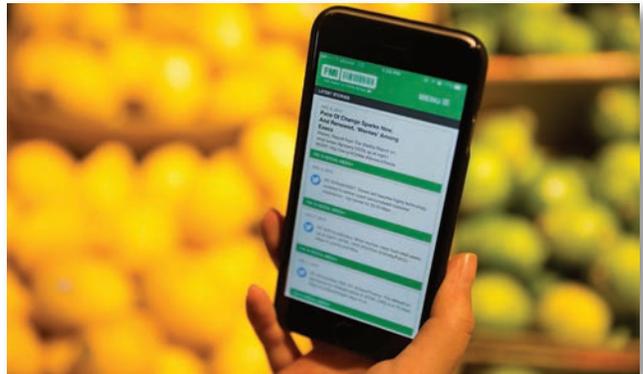
All of us maintain our own unique pantheons of trusted sources we reference when we want to know what's hot, what's not, what's in and what's on its way out. In the food retail world, that list is incomplete if it doesn't include the name of a supermarket communications officer or consumer affairs professional. This group of dedicated professionals may not have the resources of a fashion critic, the audience of a television celebrity or the twitter-following of a media diva, but they can still provide the most accurate assessment of what is going on in the aisles of today's grocery store. They keep their fingers on the shopper's pulse and can tell you the questions customers are asking, the concerns they have, and their thoughts about the store they're in, the products they're buying and the service they are receiving. They know what's trending without having to reference social media hits.

Consequently, a compilation of the monthly agendas for the 2016 resource calls of FMI's Communications and Consumer Affairs Council (CCA) reads like the chapter headings of *Everything You Wanted to Know about Food Retail in 2016, But Were Afraid to Ask*.

Popular topics discussed by the CCA this year included: GMO labeling and legislation, cage-free eggs, FMI's new **Grocery Revolution**, menu labeling, food fraud, **SNAP** and WIC, Tariff Act, product date labeling updates, Environmental Defense Fund's carcinogenic flavor petitions before FDA, Superbugs, Organic Eggs, Chickens and Antibiotics, BPA (again), **Seafood Calendar**, Maine SNAP debate, Ad Council: Save the Food campaign webinar, SNAP online pilots, D-SNAP, Economic Trends, Deflation, Modified Atmosphere Packaging, **FoodKeeper** updates and **National Family Meals Month**.

FMI Communication Channels

Tracking the most popular 2016 blog topics opened by FMI members this year, the titles echo the concerns listed above and reinforce that the CCA has an accurate read on food retail reality. Of the more than 200 blog posts published this year, the top topics of interest were federal GMO labeling legislation and Food Safety Modernization Act (FSMA) implementation. Our blogs form the basis of our member digital communications channels – feeding content to the **FMI News App**, the **monthly member-only newsletter** and **ww.FMI.org**.



In addition to all these communication methods focused on keeping FMI members connected with the news, FMI also scored some significant success in 2016 in keeping the news connected with FMI members. Sharing the food retail industry's story in such publications as **Wall Street Journal**, **New York Times** and **National Geographic**, FMI ensured that the Voice of Food Retail had a global reach.

Grocers Doing Good

As a means of highlighting the oft-unheralded good that grocery stores perform in their communities, FMI again hosted the **Community Outreach Awards**. We congratulate our 2016 award recipients:

- Northgate Gonzalez Market - Youth Development category,
- Family Fare, a Spartan Nash company - Programs Addressing Food Insecurity category,
- Food Lion, Neighborhood Health Improvement category, and
- Hy-Vee, Inc., "People's Pick" Social Media category

Supporting the Noble Cause of Food Retail

The noble cause of food retailing attracts some of the most caring and principled people in the world; likewise its trade association, FMI, appeals to some of the most helpful and resourceful folks on this planet. In 2016, the FMI communication's department was proud to support our colleagues in spreading the word about the **29 webinars** FMI conducted, the **20 pieces of original research** content FMI produced with partners, and the uncountable plethora of resource documents, papers, best practices and tools published, which addressed most every aspect of grocery operations, consumer trends and food retail growth areas.

What Bob Dylan and FMI's 20 Research Reports Have in Common

By: Sue Wilkinson, Senior Director, Information Service & Research

Nobel Prize winner Bob Dylan proclaimed more than fifty years ago that “the times they are a changin’.”

Today that phrase resonates in the food retail industry as we witness increasingly different ways consumers shop for food, and the many ways grocers are adapting to stay relevant. Always mindful of capturing industry trends, FMI once again this year delved into the minds of consumers and food retailers to make sense of this rapid pace of change to offer the food retail industry tools to understand today's shopper and improve grocery operations.

What we learned about supermarket shoppers:

- more are **sharing** in the activity of food shopping than ever before;
- connecting with and retaining Millennial shoppers increasingly requires that retailers find the **right mix of online and traditional tools** and services;
- consumers weigh “**evolving drivers**” – health and wellness, safety, social impact, experience and transparency – in their purchasing decisions, in addition to the “traditional drivers” of taste, price and convenience;
- shoppers understand **the important role food choices play in their health** and are making some changes to try to eat healthfully – but usually do not put in a lot of effort;
- shoppers recognize the variety of **nutrition benefits meat and poultry offer**, and place a high value on convenience, variety and transparency when making purchasing decisions in the meat aisle;
- nearly one-quarter of shoppers **switch outlets when purchasing fresh produce** versus the bulk of groceries, primarily to full-service supermarkets, farmers' markets/produce stands and specialty organic stores; and
- compared with restaurants, shoppers see the ability to combine errands and time savings as the **top two advantages of supermarket deli/fresh prepared foods**.



Photo: Wikipedia

Young folk singer, Bob Dylan, at the Civil Rights March on Washington in August 1963.

What we learned about food retail operations:

- **the mass-market floral supply chain** should continue to focus on impulse floral sales and holiday floral sales, while looking to grow website, wedding and sympathy sales;
- food retailers are reportedly **making the biggest financial investments in the areas of Omni-channel strategy and technology**;
- supermarkets offer customers made-to-order stations along the store perimeter, but select supermarkets **have incorporated limited service or full-service restaurants** into their physical footprint;
- **Supermarket department managers** have a high level of job satisfaction; and
- retail and wholesale dry grocery distribution centers with more square footage per SKU see **better productivity rates**. This difference is most noticeable in order selection, where there's as much as an 8% difference.

To help you digest the nearly **20 research reports** published in 2016, we've produced **webinars** on various topics, created **infographics** that provide easy-to-read visuals, and we've made presentations at various FMI events highlighting report findings.

Embrace these changing times and take advantage of this free membership benefit. Download your copy of these reports by visiting <http://www.fmi.org/store>.

Changes to the FMI Events Program Put the Focus on Quality Content

By: Carol Abel, Vice President of Education

Three words describe **FMI Events** in 2016, “Quality AND Quantity.”

While we carefully monitor the numbers, we also know we serve FMI members best by providing high-quality opportunities for them to both learn what they need to grow their businesses and to meet one another face to face. So the “AND” is an important part of the sentence.

One of the best 2016 event examples successfully negotiating both dimensions of quality and quantity was the **Midwinter Executive Conference** in January. This signature event had its highest attendance in 19 years (1,040 attendees, a 47-percent increase since 2008). The 2016 **Midwinter Strategic Executive Exchange (SEE) program**—which annually provides retailers, wholesalers and suppliers the chance to conduct one-on-one meetings—grew to 431 appointments, with 19 new companies choosing to participate.

To keep track with the food retail industry’s high demand for retention and attraction of gifted leadership, FMI moved its **Future Leaders** program into an annual event in 2016 with program adjustments made to help achieve the goal of making it the best event to nurture those staff who will lead the industry in the future. The program focused on two tracks – Developing Yourself and Leading Others. Several learning tools were improved, including a self-assessment tool, learning and action plans, and a guide for creating company teams. Post-event surveys indicated 93 percent of participants had met their goals in attending. The Future Leaders planning committee has further shaken up the format for 2017 to create a valuable interactive experience – stay tuned!

A national summit in June and a series of webinars in August attended by over 70 potential partners helped cast a larger spotlight on the **Retail Management Certificate program** – a community college certificate program offering retail employees a credential toward industry advancement.



Attendees listen to a presentation during the 2016 Future Leaders program at FMI Connect.

The **2016 Annual Business Conference** in Chicago made the calendar shift to September this year. While the scheduling adjustment meant some regular attendees were not able to participate this year, we anticipate their return in 2017, given the stated value of business-to-business meetings between CPG suppliers and wholesalers and retailers.

The FMI Events team took to heart the “Quality AND Quantity” mantra with the annual FMI Connect in June, reducing the overall number of education activities by about 30 percent and focusing on making every element as rich in content as possible.

Transition and change to our work in the world of Asset and Safety last year resulted in the newly reformatted **ASAP Conference**. The ASAP Conference is the only event for Audit, Safety and Asset Protection professionals in food retail that is designed to anticipate what’s next in this crucial area. As with many of our conferences, a design team of representatives from FMI member companies help configure this event to ensure FMI remains focused on those areas most important to protecting your company’s profit.

In September, FMI decided to **retire FMI Connect**. With this bold step, we are able to refocus and rethink our event strategy to be in step with the changing retail landscape and devote more resources to the remaining **FMI portfolio of 12 events**, which drew more than 5,800 attendees in 2016. That focus on events, each with its own unique perspective – for instance, the always popular **Meat Conference**, **Global Sustainability Summit** and the **TPA Supply Chain Conference** – can better serve the retail food industry as it continues to grow, diversify and change.

Better Together: Total Store Collaboration

By: Mark Baum, Chief Collaboration Officer

Total Store Collaboration is a core strategic pillar of FMI and is a wrap-around means of describing our approach to fostering partnerships among retailers, manufacturers, suppliers, and service providers in the food industry. While retailer/trading partner collaboration is an oft-discussed subject, but sometimes elusive industry aspiration, FMI is in a unique position to facilitate the exchanges needed for true collaboration to move from ambition to reality. In the past year, we've built significantly on the TSC initiative (started in early 2014) by expanding our collaborative communities and focusing on high priority industry issues.

A rising tide

The Total Store Collaboration initiative is, in part, facilitated through the Industry Collaboration Council (ICC), a parity-based body whose governance model reflects the spirit of shared interest that the initiative seeks to inspire throughout the industry. Through the ICC, FMI develops insights to better understand four focus areas: Share of Stomach, Share of Wallet, Share of Talent and Share of Capital in the food industry. We are convinced that these four uniting forces mark the turf the industry must occupy to seize growth opportunities and better serve consumer needs.

Going on offense

The Senior Merchandising Executive (SME) Forum is a successful peer-to-peer network of chief merchandisers from retailers and wholesalers, and now boasts 67 members. This year, FMI delivered three high-impact content features with the theme of "Going on Offense," underscoring the reality of today's world that retailers must actively experiment and innovate to succeed in the future:

- In April, FMI hosted a virtual roundtable on how to build your own click and collect offering;
- At FMI Connect in June, an in-person meeting featured a transformational approach to assortment by extracting customer behavior insights from transaction data; and
- In September, another roundtable highlighted key components of a mobile experience – including payments, loyalty programs, and mobile apps.

Making modifications to the successful Senior Merchandising Forum model of offering content, FMI branched out to reach another audience by socializing the Senior Operations Executive Forum. As its title implies, this forum will provide content features and discussion platforms expressly contoured for senior retail operations executives.



Top of mind

FMI continues to prioritize "hot-button" focus areas for future support of industry initiatives. Throughout the year, we've been developing ways to elevate and connect innovative new suppliers with retailers, and building capability assessments as a valuable service to members. Specifically through the Trading Partner Alliance (TPA), a joint leadership group between FMI and the Grocery Manufacturers Association, the industry's leadership identified the most important issues with large scale implications and set the priorities to be addressed. Some of those include the launch and implementation of **SmartLabel**, the enhancement of **On Shelf Availability**, handling **Hazardous Waste practices**, **Product Code Dating simplification**, and the ongoing adoption of **Rapid Recall Express**, **Facts up Front**, and participation in the **GS1 US Data Quality** program.

It has been a busy and productive year, and we look forward to showcasing the culmination of further development and research at **Midwinter 2017!**

2016 Welcomed Growth and Development for FMI Membership

140 In-Person Membership Visits in 2016

By: Dagmar Farr, Chief Member Relations Officer and Senior Vice President of Membership and Education

Building a strong membership program can be equated to the quote, "Without a solid foundation, you'll have trouble creating anything with value." In 2016, the FMI Membership department continued to build a robust and valuable membership program by focusing on new member recruitment, as well as building breadth and depth with existing members. We worked to develop new programs, roles, and communication strategies to meet the needs of our expanding membership base. This year FMI welcomed 21 new retail and wholesale members and 93 new associate members. We're grateful for the support and engagement of the FMI Officers and Board members who assisted in FMI's successful recruiting process.

As members' needs remain top of mind in 2016, the following programs helped FMI's Membership Department enjoy a fortifying year and will form the basis of the department's plans for 2017.

New Membership Category – Universities and Colleges

In June, FMI created a new membership category for universities and colleges. Membership allows universities to gain access to FMI's research, information and events. We heard our members say labor/talent is one of the greatest needs. To that end, FMI looks for ways to improve relationships with universities and colleges, bolstering opportunities to build the talent pool in the food industry.

East and West - New Member Relations and Advocacy Program

Earlier in the year, FMI **unveiled two new positions** at the association, further demonstrating FMI's commitment to member services across the country and its efforts to amplify the voice of food retail. FMI created two original positions serving the east and west regions, with Lucas Darnell representing FMI in the Eastern half of the U.S. and Cynthia Brazzel, representing the Western region.

At the end of the day, FMI staff conducted more than 140 in-person membership visits in 2016!



Lucas Darnell, director of member relations and advocacy for the eastern region at FMI, meets with Tracy Anthony, general manager at the Clements Marketplace in Portsmouth, Rhode Island.



Cynthia Brazzel, director of member relations and advocacy for the western region at FMI, visits FMI board member Dennis Darling at his store Foods Etc. IGA in Clearlake, California.

FMI Share Groups – Major Benefit for Independents

Share groups are an important member benefit for FMI's independent operator membership. As new companies join, the FMI membership team ensures they are placed with the right group to ensure they get the most value. In 2016, a manufacturing subgroup of the Operating Executives Council was formed as part of the OEC Share Group. FMI is also in the process of re-constituting the Natural Share Group and creating a Women Leaders Group.

2016/2017 - FMI/ROFDA Productivity Benchmarking

In partnership with the **Retail Owned Food Distributors & Associates (ROFDA)**, FMI launched a **Productivity Benchmarking Survey**. The Survey was designed to provide key benchmarks, metrics and insights, enabling companies to compare their performance with that of other wholesalers and self-distributing retail chains.

First-Ever Department Manager Survey

Findings from the **2016 Department Manager Survey**, conducted by FMI, The Retail Feedback Group, and Harold Lloyd Presents, Inc., were presented at FMI Connect. The survey received responses from 1,600 department managers from 63 companies.

New FMI Independent Operator Newsletter

FMI unveiled an **Independent Operator Newsletter** to better communicate with independents. The newsletter, distributed monthly, will focus on FMI programs, resources and initiatives that can provide value to independent operator members.

2016 for the FMI Foundation Was All About Family Meals and Food Safety

By: Sue Borra, RD, Chief Health and Wellness Officer for FMI and Executive Director of the FMI Foundation

In 2016, the **FMI Foundation** made huge strides to help Americans eat one more family meal at home each week. September, **National Family Meals Month™** transitioned from a social media campaign to a living, breathing campaign alive in stores, on TV, on the radio, and in print and digital advertising. Some of the top examples are:

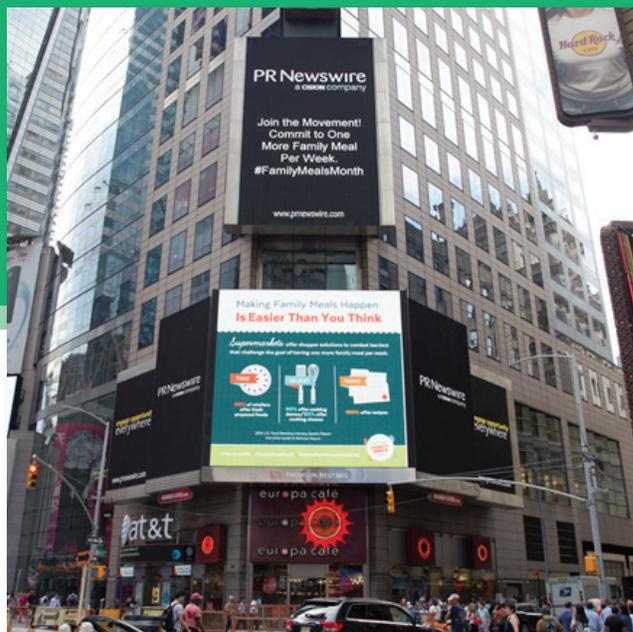
- National Family Meals Month™ featured on billboard in New York City Times Square
- **National Family Meals Month™ PSA** featured on Litton's Weekend Adventure on ABC Television
- Retail Dietitians were featured in TV news segments—here is an example from **Kroger's Little Clinic**



The registered dietitian community drove in-store campaigns by amplifying National Family Meals Month to customers.

Photo from ShopRite of Lyndhurst, NJ.

Fifty-six retailers, 15 suppliers and 36 allied organizations promoted family meals in September. Each group personalized its extraordinary efforts in unique ways including meal kits, in-store cooking classes, photo contests, community partnerships and more. The best National Family Meal Month™ campaigns will be recognized with **Gold Plate Awards** in January. To inspire



In September, National Family Meals Month went live in Times Square to promote having one more meal a week at home.

creativity for additional 2017 National Family Meals Month™ activities, the FMI Foundation has produced **retailer and supplier toolkits** that are full of ideas to implement next year.

In addition to adding more pizzazz to National Family Meals Month™, the FMI Foundation has completely redesigned the annual fundraising activity to highlight family meals. The brand new event, called **Stir It Up!**, is an exciting, friendly, and fun cooking challenge that will provide retail and supplier sponsors the opportunity to showcase their culinary artistry and win awards honoring Family Meals – Healthiest, Easiest, Tastiest, Most Affordable, and Best Culinary Adventure. We know food retail executives can take the heat in the boardroom, but can they cut it in the kitchen? **Find out in January!**

In 2016, the funds raised by the Foundation were used to award ten **Food Safety Auditor Scholarships** to encourage students pursuing careers in food safety. Additionally, grants were provided to important food safety programs such as Partnership for Food Safety Education **program** and **conference**, the **International Food Protection Institute's Applied Science, Law and Policy Fellowship**, **Institute for Food Technologists Global Food Traceability Center** and the **Center for Produce Safety**.

These programs all reinforce the mission of the FMI Foundation to focus on research and education to address food safety, health and nutrition concerns.

Food Retailers: A Trusted Health and Wellness Partner

By: Sue Borra, Chief Health and Wellness Officer and Executive Director of the FMI Foundation

Consumers believe their food retailer is a trusted ally to help them achieve their health and wellness goals. According to **2016 U.S. Grocery Shopper Trends** research, 45 percent of shoppers say their grocery store is working to help them stay healthy. In addition, 89 percent of shoppers believe eating at home is healthier than eating at a restaurant. For these reasons, almost three-quarters of retailers say that consumer wellness and family health is a strategy they use to build a competitive advantage and most say they will use more nutrition, health and retail dietitian programs in the future. (*Food Retailing Industry Speaks, 2016*)

To proactively assist retailers in serving the health and wellness needs of their customers, FMI's Health and Wellness Council developed a **new strategic plan** in 2016. The new mission and vision for **FMI's Center for Food Retail Health and Wellness** is that "food retailers will be a key partner in health and wellness in the communities they serve." To assist retailers in achieving this mission, FMI will track trends and issues; serve as a resource on best practices; communicate food retail's commitment to health and wellness; assist retailers and suppliers to network and collaborate on health and wellness for consumers and employees; and identify tools and benchmarks to evaluate progress of health and wellness in food retail.

In January 2016, FMI partnered with Deloitte and GMA to publish the study, "**Capitalizing on the Shifting Consumer Food Value Equation.**" This consumer research found that roughly half of Americans surveyed (51 percent) prioritize "evolving drivers"—including health and wellness—in their purchase decisions, in addition to the "traditional drivers" of taste, price and convenience. FMI has identified consumer health and wellness trends and emerging issues that are important to food retail and is providing resources on these issues to members. Food labeling issues, including **menu labeling**, **GMO** and **nutrition facts panel**, along with **transparency**, are high priorities to meet the needs of customers.

FMI has partnered with Rodale, Inc. for more than 20 years to study shoppers' awareness, interest and attitudes regarding food, health and nutrition. The 2016 research, **Shopping for Health**, presents a practical understanding of how health and nutrition concerns influence grocery purchases. The study revealed that two-in-three



shoppers believe their food choices affect their health, but half say they struggle to find the motivation to eat healthfully. This means that food retailers have the opportunity to help their customers find and distinguish dietary choices and share convenient, healthy meal ideas that help feed families.

Promoting best practices and case studies serve as excellent models for food retail health and wellness programs. Many retailers have adopted **National Family Meals Month™** in September, as a key program to deliver health and wellness to customers. To assist in this effort, FMI is developing a guide of best practices in **National Family Meals Month™** programs as a first in a series of health and wellness best practices guides. Building on the current trend to integrate health and wellness throughout the store, best practice guidance will also be explored for fresh, prepared foods, private brands, pharmacy and center store.

Because consumer values around health and wellness will continue to grow in importance and to be a key purchase driver, retailers are in an excellent position to be a trusted one stop shop for health and wellness resources for the customers they serve. FMI's **Center for Food Retail Health and Wellness** delivers resources and tools to help members meet the needs of shoppers.

2016: Fresh Recipe for Growth

By: Rick Stein, Vice President, Fresh Foods

When we're in the kitchen trying to grow our culinary skills, we want to make sure we're prepared with the right ingredients that will set us up for success. In a similar way, wholesalers and retailers spent 2016 cultivating their fresh foods community to deliver a prosperous 2017. Thanks to our members, the **fresh foods** community experienced tremendous growth in 2016; we introduced a new council, and a handful of new research and goals.

FMI formed the Fresh Foods Leadership Council (FFLC)

In addition to the **Fresh Executive Committee** (FEC), which includes 22 retailers and wholesalers, the newly formed FFLC brings together various associations, such as International Dairy Deli Bakery Association, Produce Marketing Association, United Fresh Produce Association, North American Meat Institute, National Pork Board, Chicken Council, and many leading suppliers, including Smithfield, ReadyPac, Johnsonville, Mastronardi Produce, Trident Seafood and AquaStar. The Committee provides an opportunity to create synergy between wholesalers and retailers when discussing supply chain issues that affect the greater operations of food retail. In January, the group launched a new webinar series to provide grocers with an easy to digest outline of recent findings of **Top Trends in Fresh**. The series focused on five key trends in fresh:

- **Top Trends in Fresh: Connected Consumer**
- **Top Trends in Fresh: Convenience**
- **Top Trends in Fresh: New Supply Chains**
- **Top Trends in Fresh: Fresh Prepared**
- **Top Trends in Fresh: Food Transparency**

FSMA regulations also captivated the fresh foods community in 2016, so in preparation, the FFLC received briefings on their 2017 implementation. Finally, in July the FFLC reconvened at FMI headquarters to investigate the potential to provide food retailers with a certification in Fresh Retail Training. This project is still in its preliminary stages, but the opportunity exists to create training for retail employees in fresh departments with an emphasis on food safety, cold chain, and product knowledge. This is a project we're excited to work toward in 2017.



The "Power of" 2016

This year, the fresh foods community and research went hand-in-hand. We released five reports that combined consumer insights with data to tell the story of how these areas of the store are changing in consumers' minds:

- **Power of Meat**
- **Power of Fresh Prepared/Deli**
- **Power of Produce**
- **The Sophistication of Supermarket Fresh Prepared Foods**
- **Trends in Mass-Market Floral, in collaboration with the Produce Marketing Association**

Seafood remains a growing category for the grocery business

Consumers and seafood are still wading in murky waters when it comes to knowledge and preparation at the retail level. As part of FMI's proactive efforts to develop tools and resources for our industry, the **Seafood Strategy Committee** (SCC) created the 2016-2017 **FMI Seafood Calendar**, which aims to help retailers promote and educate consumers on the consumption of seafood through marketing and communication plans each month.

A large focus of 2016 was addressing both human welfare and seafood sustainability issues. During the Boston Seafood Expo in March, the SCC and the Seafood Strategy Advisory Council (SSAC) met with Thailand's ambassador to the U.S. and a panel of high ranking government officials to proactively discuss illegality in seafood trade.

Following the meeting, members of the SCC established the need to produce a study identifying the key reasons for seafood fraud and best practices to help prevent fraud in the future. At the end of the survey, tentatively slated for 2017, the data will be collated into a white paper that will serve as a great tool to educate seafood category managers and buyers.

What's ahead for Fresh Food?

With so much growth leading into 2017, it's imperative we begin to look at all the ingredients that will make up our recipe for future success. The Fresh Foods Leadership Council (FFLC) determined the need to host a "Top to Top" event in 2018 that will solely focus on fresh foods. The event will connect leaders of fresh suppliers, retailers, and wholesalers with the leaders of fresh companies and provide content on the Future of Fresh.

Sustainability and Food Retail: Alive and Kicking

By: Andrew Harig, Senior Director of Sustainability, Tax & Trade

The Guardian predicted that sustainability would have a tough time of it in 2016. Consumers were feeling less secure, the paper argued, which leads them to turn their focus inward. “With a drop-off in positive feedback direct from the market, corporate sustainability commitments will be much harder to justify in the short term... The sustainability bandwagon that’s been building for the last decade will begin to fall apart.”

Consumers were undoubtedly anxious in 2016, but the “sustainability bandwagon” kept rolling for food wholesalers and retailers. The industry’s commitment to creating sustainable supply chains and proactively engaging on a broad spectrum of corporate social responsibility (CSR) issues is ingrained in business operations; it has become part of corporate culture. FMI’s work on sustainability throughout 2016 mirrored this fact.

The year kicked off with an in-person meeting of the **Sustainability Executive Committee (SEC)** at FMI’s offices. In addition to introducing the SEC to FMI’s leadership and holding an in-depth discussion of opportunities for collaboration on several multi-department projects, the group laid out an ambitious agenda for 2016 that contained a heavy focus on **food waste**.

No sustainability topic in recent memory has captured the attention of policymakers, NGOs and other activist groups in the way food waste did in 2016. Fortunately, the founding of the **Food Waste Reduction Alliance (FWRA)** in 2011 perfectly positioned FMI



and its partners (the Grocery Manufacturers Association and the National Restaurant Association) to lead on this issue. FMI staff gave presentations on food waste in numerous forums this year, including the United Fresh Expo in Chicago, Harvard’s Food Law and Policy Clinic *Save Food for People* conference, and Feeding America’s National Food Rescue Summit. In addition, the FWRA (including representatives of FMI and FMI member companies) briefed both the House and Senate Agriculture Committees on the issue and our policy concerns. These efforts culminated in the release of FWRA’s Third Biennial **Food Waste Assessment** in November.

FMI also continues to partner with GMA to sponsor one of the most successful sustainability conferences put on by any industry. Held in August in New Orleans, the **Global Sustainability Summit** hosted sessions on topics ranging from sustainability in poultry supply chains in China to responding to CSR crises. As one attendee described this year’s event, “It brings all the right people to a single place for two days of intense collaboration.”

FMI is extremely grateful for the hard work our member companies put in to make our sustainability program a success. The most exciting part of the foundation this hard work created is that it sets the stage for an even more productive 2017.

Collaborative Supply Chain Transformation

By: Pat Walsh, Chief Business Development Officer, and Vice President of Supply Chain

Effective and efficient supply chains are a source of sustainable competitive advantage for retailers and wholesalers alike. The ability to optimize and transform supply chain capabilities requires collaboration with trading partners both on the physical movement of product and the information that enables smart supply chain forecasting and decision making. In 2016, the **Trading Partner Alliance Supply Chain Committee** established and prioritized its collaborative supply chain transformation efforts across four key areas:

- Focus on the Consumer
- Connect Business Information
- Talent Development
- Shared Supply Chain

Needless to say, many companies are re-evaluating their supply chain initiatives and capabilities to ensure they are well positioned to meet the needs of consumers in the rapidly changing digital and omni-channel retail world. Yet while many companies are focused on the future, today's business environment demands relentless focus on superior execution of industry best practices designed to optimize supply chain performance.

The **TPA On-Shelf Availability Committee** released a study featuring a **Root Cause Analysis** and **Industry Best Practices Guide** to address out of stocks and areas for improvement. This study focused on process, organizational and metric gaps to include a deep dive understanding of the causal factors related to out of stocks featuring good, better, best and future practices to improve planning and execution in the end-to-end value chain.



Effective and efficient supply chains require collaboration with trading partners on both the physical movement of product and the information that enables smart supply chain forecasting.

Another key area is to reduce and mitigate risks to the shared supply chain. The TPA Hazardous Waste Taskforce is focused on the following key areas that require capabilities to ensure compliance:

- Address accurate information flow to identify the products considered to be hazardous waste;
- Fix and improve product design to minimize risks;
- Address the disposal issue (process and compliance) to minimize costs;
- Develop industry best practices to identify, handle, transport and dispose of hazardous waste; and
- Address regulatory compliance issues.

Consistent with all these priority areas, FMI diligently focused on trend-tracking. Notably, we delivered an **Industry Productivity Benchmark Report** to address industry trends and opportunities for improvement in the areas of material handling, systems optimization, data management, developments in productivity drivers and capabilities, warehouse facility productivity, technology adoption and supply chain profitability.

FMI will continue in 2017 to focus on the future of supply chain transformation while concentrating on industry best practices today to drive business performance.

Managing Your Brand in 2016

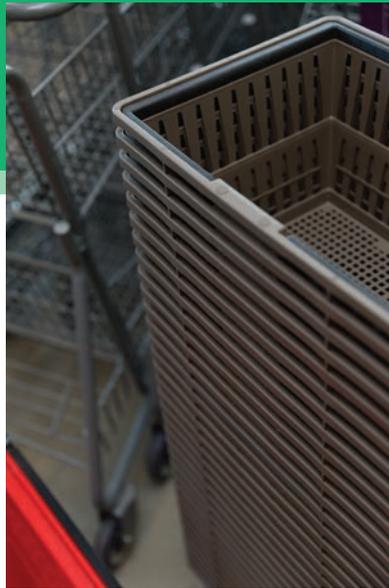
By: Doug Baker, Vice President Industry Relations-Private Brands, Technology

This year taught us to be true to our brands.

In 2016, the food retail industry faced significant challenges and private brands were arguably at the center of every one of the year's most significant and historical events. **Private brands** were engaged in the GMO legislation battles in Vermont and the massive efforts on the federal level. Private brands were front and center when it came to updating FDA Nutrition Labeling and Education Act regulations and were at the epicenter of the ground-shaking effects of implementing Food Safety Modernization Act rules, with its systemic overhaul. Through it all, private brand owners navigated government disruptors while also managing deflationary pressures, aggressive competitors, grocery shoppers' increased affinity for prepared foods from non-traditional channels, and stagnant shopper traffic.

While other factors sought to alter the direction, these food industry brand architects actively engaged in shaping their own destination. In particular, the **FMI Private Brand Leadership Council** helped navigate blue prints and offered guidance to FMI by providing quantifiable data related to the hard and soft costs associated with state and federal legislation and regulation. Additionally, we had a number of stakeholders participate in meetings on Capitol Hill in order to clearly articulate the business argument directly to the people who could positively affect the outcome.

This year saw brand owners work to hone the story of their brands. To better understand the private brand audience, FMI invested in new research, launching in early 2017, that attempts to offer consumer, business, industry and global perspectives regarding the power behind preserving and building consumer awareness of grocery private brands. The final research product will be shared with FMI's Board of Directors at the **Midwinter Executive Conference** and to our broader membership via trade media, webinars, and blogs to offer additional context.



Any brand manager will identify the importance of setting clear goals and taking calculated risks in order to be successful, and so FMI serves as an educational platform to support private brand managers' confidence in the decisions they must make. We hosted our **2nd Annual Private Brand D.C. Summit** in October to discuss policy and trade issues that have direct implications for private brand managers. We also explored consumer insights by looking specifically at the millennial shopper and how private brand owners can best leverage their knowledge of this new generation's attitudes and acceptance of private brands.

It's evident from FMI member surveys that the investment in private brands will continue to grow, and as brand owners, we have the opportunity to serve as writers, narrators and moderators to the storyline of our industry's future. Further advising the council's projects over the next two years will be Linda Severin, vice president of marketing, for **Topco**, as its member council co-chair, alongside Neil Ritchey, senior vice president, Ajinomoto Windsor, Inc. As we welcome Linda, we offer our gratitude to **Western Family Foods'** Bob Cutler for his leadership over the last two years and we look forward to building on his hard work.

2016: The Year of the Monkey, SQF to the Rescue

By: Robert Garfield, Chief Food Safety Assessment Officer, Senior Vice President, **Safe Quality Food Institute (SQFI)**

According to the Chinese calendar, 2016 was the year of the monkey. One could fairly say that there was a monkey on our stakeholders' back this year, and its name was FSMA. Sorting through FDA's Final Rules for the Food Safety Modernization Act (FSMA) is a time consuming, often frustrating and frequently confusing task. To help SQFI stakeholders better understand the legal and regulatory complexities of FSMA, SQFI compiled a **FSMA Resource page** to assist our stakeholders as they worked toward compliance. To further assist our stakeholders, a comparison analysis between the elements of SQF Level 2 Certification and the Final Preventive Controls for Human Food and Produce Safety rules was conducted. Our analysis indicated that SQF Level 2 certification provided a robust and solid starting point on the arduous journey of complying with the FSMA final rules. SQFI also developed a voluntary **Preventive Controls audit checklist** and a **complementary guidance document** to assist stakeholders with identifying the necessary steps to bridge any gaps between a company's SQF Program and the Preventive Controls for Human Food rule.

Last year, SQFI strengthened its technological proficiency by developing a new database program with our new IT partner, **ReposiTrak**. The new database introduced a number of enhancements, including a robust reporting system that permits stakeholders to sort data based on facility performance. The enhanced features of the database augment SQFI's ability to monitor certification body (CB) and auditor performance, while providing additional value to retailers and buyers by enabling them to better track the audit performance of their suppliers. Moreover, the expanded data access further strengthened SQFI's compliance and integrity programs, a crucial component in the continuous improvement of food safety and quality management systems.

2016 was a record breaking year regarding attendance at the **SQF International Conference**. SQFI joined forces with the FMI Food Safety group to demonstrate our 365-degree, farm-to-fork food safety management system. The 2016 SQF Conference featured a dedicated retail food safety track that provided updates on retail food safety issues, encouraged dialogue between retailers and suppliers, and communicated best practices and food safety solutions for retail operations of all sizes. Additionally, SQF Conference participants received a preview of the benefits of



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Edition 8 of the SQF Code including our Retail/Wholesale Grocery Program- scheduled for rollout in late March of 2017. We are happy to announce that FMI Food Safety will be a part of the program for the 2017 SQF Conference, so plan now to join us in Dallas, Texas, November 5-7, 2017!

We look forward to 2017, the Chinese year of the rooster, and anticipate fulfilling the characteristics of that dawn-announcing creature by continuing our hard work, resourcefulness and passion to be the single most trusted source for global food safety and quality certification. Visit www.sqfi.com for more information.



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