The Arizona Food Marketing Alliance Represents and Advocates the Interests of the Arizona Retail Food Industry and their Supplier Partners in Legislation, Regulation and Education and other Appropriate Services.

We Strive to Represent and Promote this Industry to Bring Prominence and more Awareness of it's Impact and Presence in Arizona.

The Arizona Retail Food Industry and its Suppliers Represent $16 Billion in Sales Revenue, 5,600 Outlets and over 120,000 Employees in the State of Arizona

“FARM TO FORK”

What is AFMA?

The Arizona Food Marketing Alliance (AFMA) is the state trade Non-profit association for the Food Industry in Arizona. AFMA represents all food retailers (Supermarkets, Convenience Stores, and Independents) and their suppliers in all areas that are impacted by state and federal legislatures (taxes, fees, labeling, food safety, etc.).

AFMA is also at the table with individuals cities representing the Industry's interests regarding bans on plastic bags, security issues, shopping cart blight, etc. AFMA has the relationship with the state agencies who regulate your business, (Dept. of Weights and Measures; Dept. of Liquor; Dept. of Health; WIC; Lottery, and so on) Under the AFMA umbrella, all members are represented collectively; they have one advocate with one voice… AFMA. We are on the front lines with the cities, counties, states, and federal agencies, protecting your business, so that industry can continue to go about business of marketing groceries. Our goal is to protect and promote the retail food industry in Arizona.

AFMA is the parent organization for the following:

- ***Arizona Food and Drug Industry Education Foundation*** **which provides funding for tuition reimbursement and scholarships for all of its members, retailers suppliers and their children.**
- **Arizona Cart Service (ACS) providing shopping cart retrieval, repair, and power wash.**
- **Arizona Grocer Publishing Company which publishes the monthly trade magazine *The Arizona Food Industry Journal.***
- **Arizona Coupon Service which processes vendor coupons.**

AFMA has been in operation since 1943 and exists to serve the Arizona Food Industry, retailer and supplier alike. We provide significant channels and opportunities in the state of Arizona

FOOD & DRUG STORES
fry's

ARIZONA FOOD
A·F·M·A
MARKETING ALLIANCE

IGA

Dollar Tree

DOLLAR GENERAL

FAMILY DOLLAR

WinCo FOODS
An Employee Owned Company

Albertsons

SAFEWAY

TRADER JOE'S

LOS ALTOS RANCH MARKET

WHOLE FOODS MARKET

SPROUTS FARMERS MARKET

QT

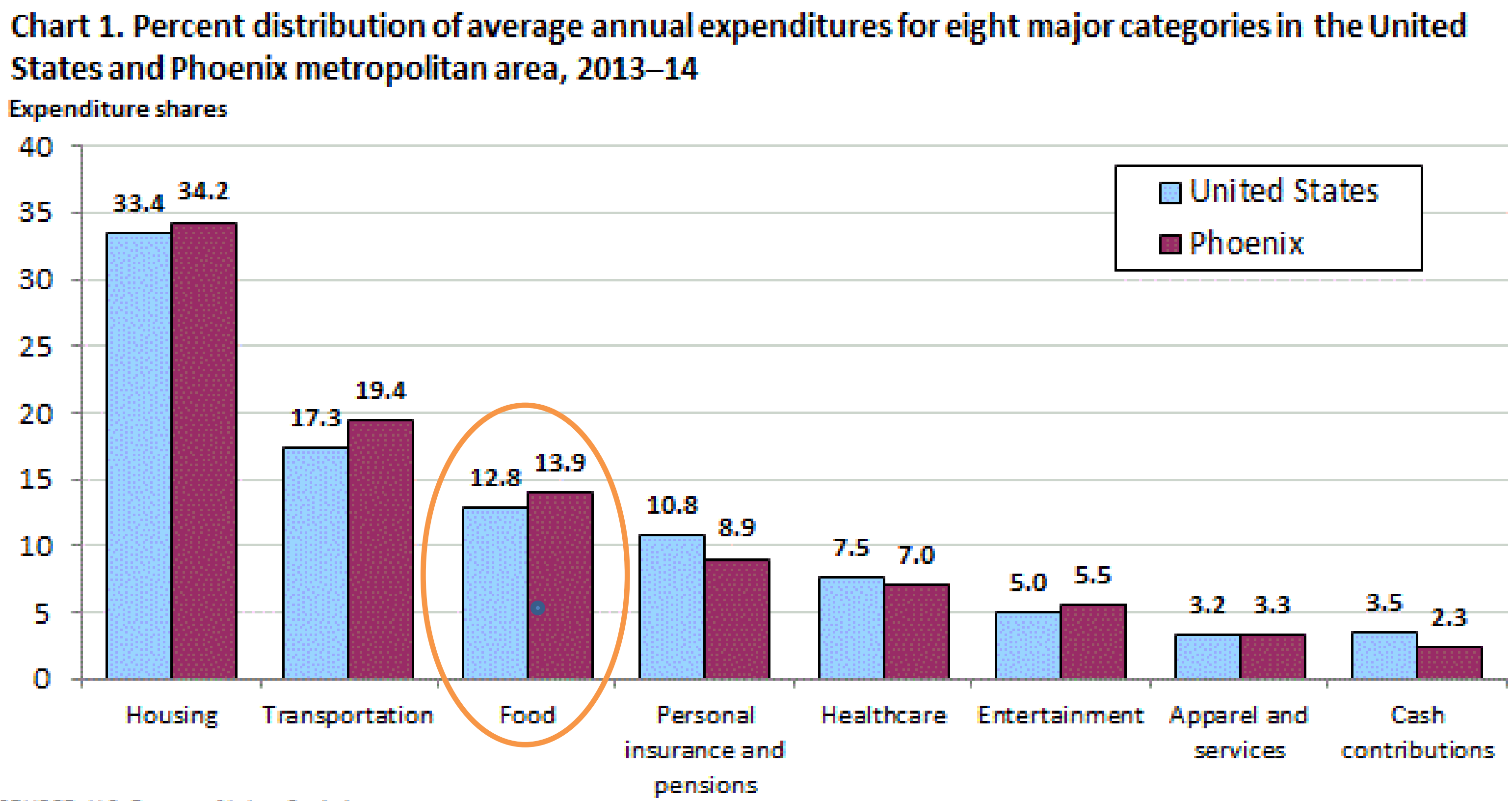
Bashas'

K

7 ELEVEN

Walmart
Save money. Live better.

What consumers are spending?



SOURCE: U.S. Bureau of Labor Statistics.

Arizona’s Market Share

Store Name	Market %	# Stores
Wal-mart	26.5%	100
Fry’s	23.0%	120
Safeway	18.2%	114
Bashas’	13.4%	126
Albertsons	6.1%	42
Trader Joe’s	1.9%	14
Sprouts	1.5%	23
Whole Foods		17
Los Altos Ranch		7
Circle K		576
Quik Trip		110
7Eleven		76

-- Shelby Report Nov. 2015

Grocery Sales by Percentage (avg.)

		Trend
Dry Grocery (Food)	25%	+
Meat/Fish/Poultry	14%	-
Produce	11%	+
Dairy	9%	Flat
Dry Grocery (Non Food)	6%	-
Frozen Foods	6%	+
Alcoholic Beverages	4%	+
Service Deli	3%	+
Baked Goods	3%	+
In-Store Bakery	2%	Flat
Deli/Self Service	1%	+
Floral	< 1%	Flat

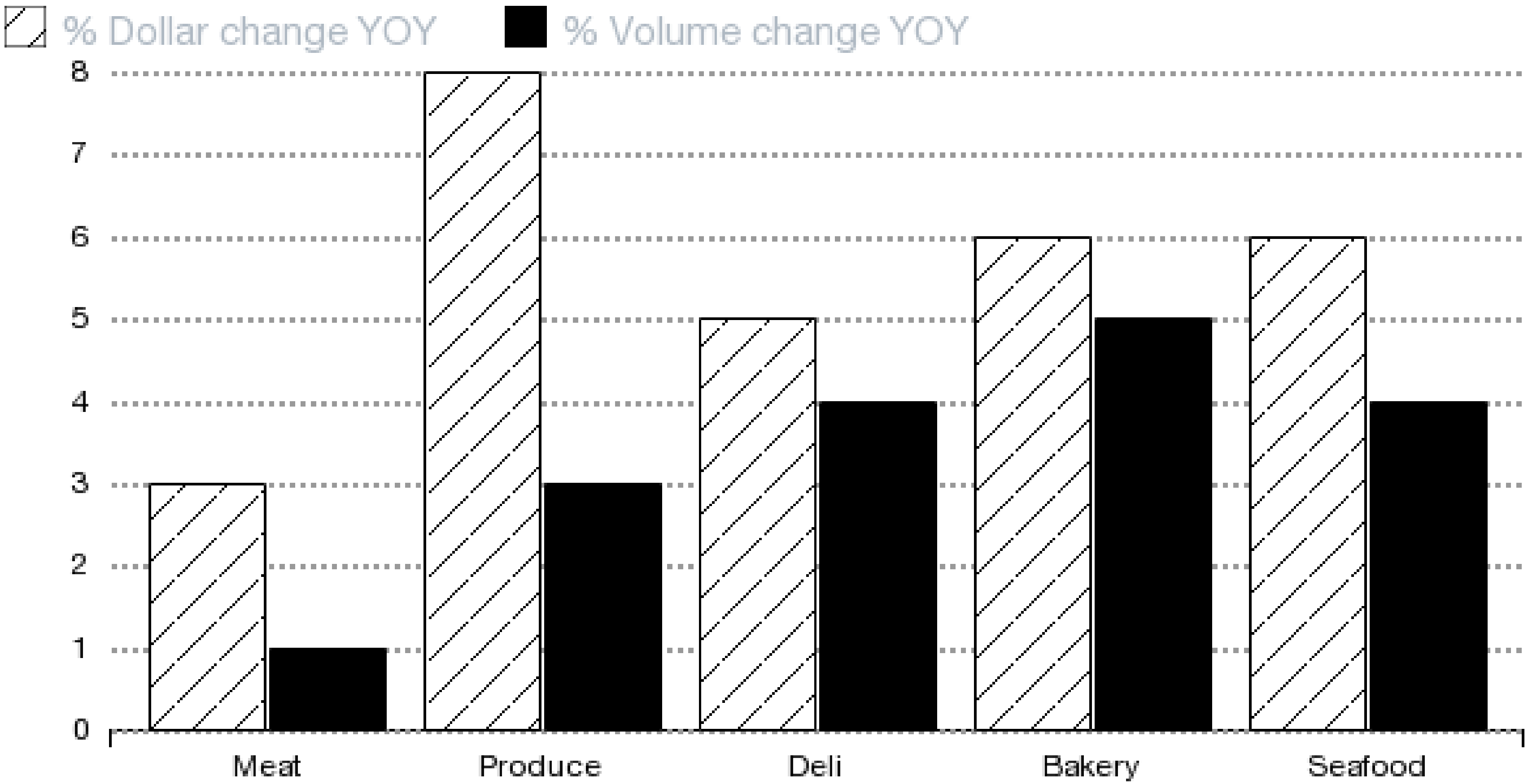
-- FMI

Top Selling Grocery Items (2014)

Categories	Trend
1. Carbonated Beverages	+1.86
2. Milk	- 8.44
3. Fresh Bread & Rolls	+4.77
4. Beer, Ale Hard Cider	+5.42
5. Salty Snacks	+9.75
6. Natural Cheese	+7.75
7. Frozen Dinners/Entrees	+ .18
8. Cold Cereal	+2.12
9. Wine	+3.72
10. Cigarettes	- 2.18

-- FMI

Fresh Food Sales Growth (2014)



--Nielsen

Arizona Retail Grocery Industry Facts

- **Arizona is the most competitive grocery industry marketplace in the United States.**
- **Day in and day out we deliver the 2 most demanded commodities in the world:**
  - **Food**
  - **Fuel**
- **The Arizona Grocery industry employs over 120,000 employees**
- **47 million lbs. of food is donated to Arizona food banks. That's 38,775,000 meals or the equivalent of over 5 meals for every resident in Arizona.**
- **Supermarkets run off a 1% profit margin – not passing on entire increased costs from suppliers**
- **Twenty years ago 90% of food shopping was conducted in traditional grocery stores. Today its 50%.**

Arizona Retail Grocery Industry Facts: continued

- **The average consumer goes to the grocery store 1.5 times per week.**
- **The average supermarket has over 42,000 SKU's now, compared to 20,000 twenty years ago – including liquor.**
- **SNAP/WIC - 1 million recipients in Arizona.**
- **Phoenix has more square footage in grocery stores than any U.S. city. Most new stores are over 100,000 square feet.**
- **Grocery store sales in Arizona are the HIGHEST per store, per year sales, of anywhere in the United States.**
- **In the last 10 years, organic supermarkets, Sprouts and Whole Foods, have brought their concepts to Arizona. These stores offer fresh organically grown Produce, Meat and Seafood. Much of the fresh produce in these stores is grown here in Arizona. Organic food sales are expected to grow from 7 to 10% per year.**
- **The retail grocery industry is the most regulated in the world.**

--FMI

Challenges and Issues for Retail Food Industry

- **Recovering from worst recession in Arizona history; most retailers overbuilt on new stores.**

- **Employer sanction rule allowed 400,000 to 500,000 to leave state – Large impact on retail food business.**

- **Customers shop front page ads, their shopping habits have changed, less spending on the most profitable areas of the store.**

- **Lower fuel prices have helped consumers to spend more in both grocery and convenience stores.**

- **Couponing has increased 60% since 2007.**

- **Out of Stocks create a real challenge for all retailers.**

- **Consolidation to compete - Safeway / Albertsons merger.**

- **Competitive Market - Makes it difficult for retailers to enter Arizona Market Haggen and Fresh and Easy leaving market.**

Convenience Store Industry

- **Convenience stores sell time. The average time it takes for someone to get in and get out with a purchase is 3 minutes and 33 seconds. No other channel has anywhere near that speed of service. And no other channel is such an important part of virtually every community in the country, and that is reflected in their overall sales.**
- **C-Stores Average about 500 SKU's and growing.**
- **C-Stores Average over 1100 Customers per day.**
- **C-Stores are expanding on Ready to Eat Foods and Fresh Foods.**
- **Organized Retail Theft/Beer Runs have become a big issue.**

--NACS

Arizona Convenience Store Category Sales

2014

Category	Sales dollars	PCYA
Cigarettes	$48,479	0.1%
Packaged beverages	$22,824	6.5%
Beer	$15,432	3.5%
OTP (other tobacco products)	$7,373	5.5%
Salty snacks	$6,499	8.5%
Candy	$4,792	4.0%
Packaged sweet snacks	$3,108	3.3%
General merchandise	$2,257	16.4%
Milk	$2,101	3.8%
Ice cream and novelties	$1,750	0.2%

--NACS

Regulations, Issues and Challenges

Federal

Menu Labeling
Over Time Pay
GMO
NLRB – Promoting Unions
Credit Card Fees

State

SB 1241- Plastic Bag Ban
Direct Shipment of Wine
Department of Transportation/Traffic
Minimum Wage/Sick Leave
Changes in Weights and Measures

County

Changes in Health Dept. regulation
Air quality
Dark Skies

Local

Security requirements (CPTED)
Foodwaste
Shop Lifting/Pallet Theft

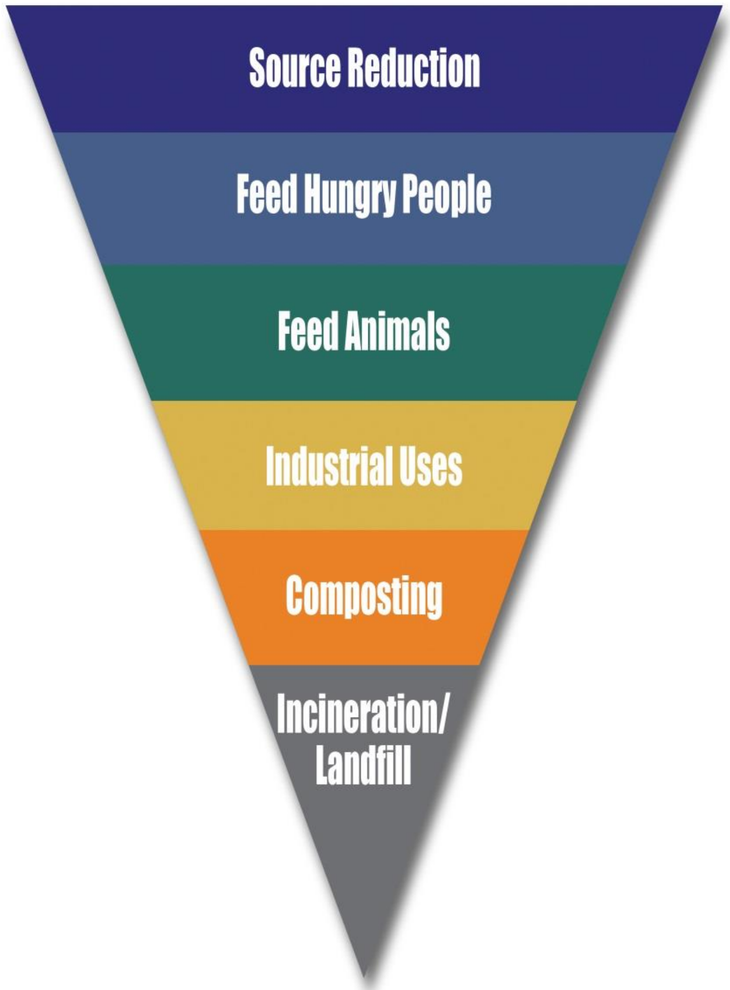
Food Waste

Supermarkets, convenience stores, and general stores waste huge quantities of food as a result of consumer demand for freshness and the fear of empty shelves before closing.

In the U.S., food waste is estimated between 30-40 percent of the food supply.

This estimate, which is based on estimates from USDA's Economic Research service of food loss at the retail and consumer levels of 31 percent, corresponded to approximately 133 billion pounds and $161 billion worth of food in 2010.

This amount of waste has far reaching impacts on food security, resource conservation and climate change.



What Does the Future Look Like in the Retail Food Industry in Arizona?

- More competition from Dollar Stores, Natural Food Stores, Amazon, Sprout's, & Farmers Markets.

- More direct to consumer deliveries.

- Larger Convenience Stores with more Fuel Islands and more SKU's inside the store.

- Larger Grocery Stores – most will be over 100,000 sq. ft.

- More Consolidation – Top 10 Chains represent 35% number of stores, but 68% industry volume. This should continue to grow.

- Retailers must address growth of Millennials – now larger than Baby Boomers.

- Cyber Security – evolution of the Chip Card.

- Less and less print advertising, more mobile, digital, & online communication to customers.

What Does the Future Look Like in the Retail Food Industry in Arizona? continued

- Focus on customer service as economy improves.
- Growing Credit Card Fees will raise prices. Second highest expense in Convenience Stores.
- Growth in Private Label Products.
- Continued strong growth of Organic, Natural Foods with focus on Nutrition, Heath & Wellness.
- More reasonable costs for consumer in Organics, and Produce sections will expand.
- Buy Local First will be a priority.
- Continued focus on Food Waste while maintaining Food Safety.