

“The Past, Present, and Future of SNAP: Opportunities for Improving Access to Food”

Testimony of
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On Behalf of
The National Grocers Association

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Good morning Mr. Chairman, Ranking Member Peterson, and Members of the Committee. My name is Mike Beal, and I am the Chief Operating Officer of Balls Food Stores. It is an honor and a privilege to be here with you today.

Balls Food Stores is a locally owned, third generation, family owned company started by Mollie and Sidney Ball in 1923. Our company is currently led by David Ball, who follows his father, Fred Ball, a person who was known nationally in the grocery industry for his innovation, character and charity to our community. Balls Food Stores currently owns and operates 27 retail grocery stores in the greater Kansas City, Kansas and Missouri metropolitan area under a few different banners, but primarily Price Chopper and Hen House. Our stores are all full service supermarkets and have accepted SNAP as a form of tender essentially since each location opened.

I started working with our company during my senior year in college. After receiving my Bachelor degree in Civil Engineering at the University of Kansas in 1979, I returned to the University of Kansas to earn a Masters in Business Administration, all the while working with the company in our stores. After completing my Masters in 1981, I worked in our stores until returning to school to earn a Juris Doctorate degree from the University of Missouri at Kansas City. I practiced law for nine years in the areas of corporate mergers and acquisitions, general corporate law and corporate finance, before returning to Balls Food Stores in 1998 to become its Chief Financial Officer. In 2012, I assumed the position as the Chief Operating Officer of Balls Food Stores.

Balls Food Stores provides jobs in our local community for approximately 3,200 teammates, including a subsidiary that produces some of the best pies in the country for many grocers around the country. We have hundreds of teammates that have worked for us longer than 20 years and we operate a small distribution center that operates primarily to allow us to buy large

quantities of merchandise at discount and to purchase and distribute local produce to our stores and other local grocers. Balls Food Stores was one of the early adopters of the buy local produce movement nationally, so much so that we worked with the Kellogg Foundation in their efforts to develop a distribution model to bring fresh, nutritious and affordable food to consumers around the country. Our company was a founding member of our grocery wholesaler, Associated Wholesale Grocers, Inc. (AWG), a member cooperative supplying over 3,800 stores in 35 states.

The Price Chopper banner or trade name we operate is licensed to us by AWG. There are 37 other retail grocery stores in the Kansas City metropolitan area that also use the Price Chopper trade name in their business. Those 38 stores are owned and operated by four other families who are also members of AWG.

Balls Food Stores is a member of the National Grocers Association (NGA), and I was honored when NGA asked me to share our story and successes with the Double Up Food Bucks (DUFB) program with this Committee. I believe our success with the program has been fantastic for the communities our stores serve and the Supplemental Nutrition Assistance Program (SNAP) customers who are now able to stretch their benefits further while purchasing local produce and supporting local farmers in our communities.

The DUFB program operated by Balls Food Stores is the result of a collaboration of a number of entities: Good Natured Farms, Inc., the Fair Food Network, the University of Kansas Medical Center, the Mid-America Regional Council, and the Health Care Foundation of Greater Kansas City. The primary goals of the program are to: (1) provide access to and increase affordability of fresh fruits and vegetables for recipients of SNAP benefits, (2) provide greater opportunities for local farmers to increase their income by selling more produce locally and (3) provide more dollars to the local community.

The idea for the DUFB program was brought to us by Diana Endicott, the owner of Good

Natured Family Farms. Diana has partnered with our company for the better part of 15 years and has introduced to us over 150 family owned local farmers operating within 200 miles of Kansas City. Ms. Endicott is well known nationally for her work with local farmers, local farm initiatives and healthy eating initiatives. It was while working with the Kellogg Foundation and their healthy, affordable, local food initiative that Diana was introduced to Dr. Oran Hesterman, the President of the Fair Food Network. Dr. Hesterman had some creative ideas to increase markets for local farmers and provide healthier food options for people. Initially, the DUFB program was piloted by the Fair Food Network in Michigan at local farmers markets. While successful, there was a realization that offering the program at retail grocery stores would reach more SNAP customers and provide an opportunity to better evaluate SNAP recipients' purchasing habits over time because grocers have the capacity to retain customer purchase data. Local farmers' markets typically do not utilize technology that will permit anyone to analyze customer purchase data.

In 2015, we launched a pilot of DUFB in four of our Price Chopper stores in the Kansas City area. Because of the initial success of the program, a fifth Price Chopper store was added late in the summer of 2015. We experienced tremendous success with the pilot and were able to convert the pilot to a year-round program operating in all 14 of our Price Chopper stores in 2016. It is the goal of Balls Food Stores and the other partners in the DUFB program to extend the DUFB program to the remaining 37 Price Chopper stores in the Kansas City area in 2017.

The premise of DUFB is very simple: for every dollar a customer spends on local produce using an EBT card to pay, that customer earns a dollar to spend on produce from any source on a future shopping trip, up to \$25 per day in earnings. The "earnings" by the SNAP customer are accumulated throughout the year until that customer notifies our cashier that they want to spend some or all of their earnings on any type of produce on a later shopping trip.

The execution of the DUFB program relies primarily on technology currently being used by

many grocers: (1) we designate local produce items using a unique product code for each locally grown item, (2) our point of sale system (POS) is programmed to look for transactions in which local produce items are purchased using an EBT benefit card for payment and (3) when customers shop at our Price Chopper stores using their loyalty card (which is free to customers), that customer's earnings from the purchase of local produce items is then accumulated by our loyalty software system for future spending by that customer, whether or not an EBT card is used on the future purchase and whether or not local produce is purchased in the future. This allows our SNAP customers to purchase healthy produce items throughout the year (even at times when locally grown items are not as plentiful because of growing seasons) and to purchase all of their produce for their holiday family meals, if desired.

The beauty of the DUFB program we operate is its simplicity – our SNAP customers shop like they normally do using their loyalty cards (which also provide discounts off of many other grocery items sold in our stores) and pay using their EBT card, with the only difference being that the purchase of locally grown produce items with their EBT card earns them incentive dollars to buy more nutritious fruits and vegetables. A SNAP customer doesn't have to enroll in our DUFB program and they don't need to remember to bring anything back to the store to redeem their incentives.

Additional components of the DUFB program that contribute to its success are properly identifying local produce items to customers using specific signage in the produce department, properly training store produce teammates, management teammates and cashiers and establishing relationships with local farmers to purchase their products. Many grocers around the country have relationships with local farmers in place; however a solid distribution system for those products is crucial to having a strong DUFB program as this adds to the local produce variety available to SNAP customers. If there isn't a fairly good selection of locally grown items that are well marked

in the produce department, customers get frustrated and are less likely to use the program.

Our cashiers inform SNAP participants of the money they've earned by purchasing local produce. We have seen SNAP customers purchase enough local produce that their entire produce order during their next trip is given to them free of charge, which is fantastic.

Much of the success of our program can be attributed to our cashiers. Our cashiers have been tasked with the job of explaining the program to SNAP customers, and they have done an excellent job making sure our customers understand the program, which items are eligible for the Double Up match, and most importantly, why they are receiving these benefits to redeem in the store. One thing we learned very early in the program was that many customers didn't use the program initially because they thought it was too good to be true. Many customers believed there was a "catch" because "no one gets something for free" from doing something they would otherwise like to do if they had the financial resources to purchase healthier food products for their family. It was only because of our cashiers that our customers understood that "free" really meant free as a result of purchasing local produce.

As I have previously mentioned, this program has seen tremendous success in our stores. The pilot was designed so that the purchase history of SNAP customers could be measured over time to determine if the DUFB program has led to the purchase of healthier food products by those customers. Our program partners are currently analyzing our massive collection of purchase data history in our POS system to confirm healthier purchase habits by SNAP customers. In addition, during the pilot, one of our program partners interviewed both SNAP and non-SNAP customers, along with some of our store teammates, to learn their thoughts about the DUFB program. In total, 1,422 customers were interviewed: 104 of whom were DUFB participants, 332 SNAP customers who did not participate in the DUFB program and 986 non-SNAP customers. Fifty five store teammates also were interviewed about their experience with the program and the value it provides

to customers.

The DUFB participants surveyed reported that they generally had increased their purchase and consumption of fruits and vegetables, which we would all agree are healthy food choices. In addition, those same customers reported that they were budgeting differently for groceries because of the DUFB program.

Of the 332 SNAP customers not participating in the DUFB program, most of them stated that they were very or somewhat likely to participate in the DUFB program on their next visit. The consensus of the 986 customers surveyed who were non-SNAP customers was that the DUFB program helps SNAP customers save money, encourages healthier eating habits and supports local farmers.

The survey of our 55 teammates reported that our cashiers found the DUFB program was easy to implement, our cashiers expressed appreciation for a program that helps lower income families eat healthier (more than a few of our cashiers were once SNAP recipients themselves), our store directors felt that our produce departments had a greater focus on locally grown produce as a result of the DUFB program and our store directors expressed appreciation for participating in the DUFB program and would welcome the opportunity to participate in the program in the future.

There were 9,874 different customers that participated in the pilot program and those customers accounted for over 23,400 DUFB transactions starting in June of 2015. On average, our pilot stores saw 2,670 SNAP customers per month during the pilot program. The stores in the pilot program had between 8.7% and 14.5% EBT business as a part of their regular business. We were very pleased that, between June and the end of December 2015, over 60% of the DUFB dollars earned were redeemed, representing over \$42,200 in produce purchases by those customers. That is a very high percentage of redemption according to all the grocers we have talked to about redemption of any store incentive program. The high redemption rate in our stores has actually

increased to over 70% as of the end of May 2016. In addition, Balls Food Stores experienced over a 12% increase in sales of local produce items at the pilot stores compared to the prior year.

We at Balls Food Stores believe strongly that the DUFB program has encouraged our customers to eat healthier and try new fruits and vegetables. We believe the DUFB program is very feasible and can be replicated by most grocers around the country as long as those grocers have a loyalty system to accumulate earning incentives. Most non-SNAP customers were supportive of the DUFB program and most SNAP customers who hadn't used the program were likely to use the program in the future. DUFB customers reported that the program is easy to use and helped them save money while eating healthier. Importantly, the potential reach of the DUFB program in grocery stores is immense. In just a few months, thousands of SNAP families were able to take part in the DUFB pilot program.

Although there is compelling evidence that diets rich in fruits and vegetables can lower the risk of many chronic diseases, cost has been a major barrier to purchasing fresh produce. Programs like DUFB are important in that they incentivize customers without mandating the purchase of healthy food. In my opinion, a free market based program is always preferable to a mandated government program. Providing a program like DUFB in our stores has allowed our SNAP customers to learn more about healthy eating, to try new produce, and to stretch their SNAP dollars further, without spending more out of their pockets. We are helping customers and their families afford fresh produce and are working to improve their health by offering this program.