



February 13, 2017

To Chairman Mason and House Commerce Committee Members,

My name is Dick Stoffer and I'm the State Government Relations Director for Hy-Vee, Inc. I have enjoyed being an employee owner for the past 26 years. We now have 245 stores in 8 states and employ over 85,000 people. We are known for our helpful smile in every aisle and are good corporate citizens.

Last year we donated over \$42 million dollars to hundreds of organizations across the Midwest and have donated more than 15 million pounds of food to food banks. We are committed to the environment and are always exploring ways to reduce food waste and recycle products.

Since this is the Commerce committee, I want to spend my time before you talking about the economic development opportunities Hy-Vee brings to a community. Today, we are growing in 7 of the 8 states where we have stores. It's Kansas where we aren't growing and that's solely because of antiquated liquor laws. In the nine years I've worked on this issue in Kansas, we've remodeled a few stores and consolidated two stores into one, but we haven't expanded our footprint. Our company has committed to growing first in the 7 states where we can sell adult beverages.

Let's talk about what a Hy-Vee investment in a community does for a state. A year and a half ago in the Greater Minneapolis area, we committed to build 40 stores over the next 10 years. **That's \$1.4 billion of investment in stores for a total of 30,000 jobs.** In the past 18 months, six of those stores were completed and we just announced three more.

In addition to those \$1.4 billion investments are the construction jobs the work has created. Imagine if we did only half of that in Kansas – that would be a 20 store addition throughout the state for a total of \$700 million dollars and 15,000 jobs.

That's significant economic benefit.

What does it mean to be one of 85,000 Hy-Vee employees? It means you're an owner. We're 100 percent employee owned. Fifty-two percent of each stores profit is shared with employees in the form of a quarterly bonus. That bonus isn't only for full-time workers, but our part-time employees also. Many of our employees will advance from a retail clerk into management. There's upward mobility in a Hy-Vee career and we're proud of what we can offer.

The balances of store profits go to build new stores and remodel existing stores. **We don't pay dividends, we reinvest.** Dollars made in Hy-Vee are put back into the community where we operate to continue our store improvements.

We want to grow in Kansas. We want to invest more of our resources here, but our growth potential has been stifled by this legislative body. We're here today to ask you to help us grow. It's time to take away the restrictions that keep grocers and liquor stores from meeting the needs of their clientele.

While Kansas has dragged its feet on changing this overly restrictive law, several states have recognized the need to modernize. South Dakota passed legislation to allow more stores to sell beer, wine and spirits. Tennessee and Pennsylvania now allow wine in grocery stores, and just this past year, both Colorado and Oklahoma changed their laws to open the market and lift onerous restrictions on grocery, c-store and liquor stores.

This leaves Kansas poised to be an island surrounded by free market states that give consumers' choice and businesses the freedom to decide what products work best in their business model.

Many of you have acknowledged the law needs to change and will someday change. We appreciate that recognition and are here to say – the time for change is today. Passing a bill now will allow us to avoid a beer crisis in 2019 when the brewers either eliminate or greatly reduce cereal malt beverage availability.

I understand there's a certain element of fear about what change can bring to Kansas. We don't need to look far to see that while liquor stores fear the loss of their business, there's no evidence to support this. Missouri still has liquor stores despite having allowed grocers and c-stores to sell the products since prohibition. Nebraska changed their law a couple decades ago and they still have a strong liquor store market alongside their grocery and convenience stores.

But South Dakota is the most recent. Hy-Vee does a lot of business in South Dakota so we're intimately familiar with what's happening there. In 2008, the legislature voted to allow grocery stores to sell beer, wine and spirits. It was an immediate change with no buyouts or restrictions.

Ask South Dakota legislators what happened after they changed the law and they'll state very clearly: NOTHING. No liquor stores went out of business because of this legislation.

But I'm always quick to remind them - Something did change. It's wasn't nothing.

What's happened in those eight years in Sioux Falls is the addition of 2 Aldi's and 2 Walmarts. Plus, an out-of-state grocery chain opened two stores and the first Costco opened. Trader Joe's and Whole Foods are also planning expansions into the market.

So who benefited? The Sioux Falls people. They got not only more locations to do their shopping, but also, the increased competition lowered prices on food and resulted in better service at every location.

This all happened in a state where there are 648 retail liquor licenses for 800,000 people. That's a liquor store for every 1,200 people. By comparison, Kansas has 763 retail liquor licenses for 2.8 million people, or every 3,600. There is room for growth in the market – we can keep customers from leaving this state and going to Missouri.

And we'll do it responsibly ... as we do today with the cereal malt beverages we sell. Our stores have been fully vetted. You know what you are going to get. We're good actors who have our corporate brands to protect and must follow every law. We are effective collectors of taxes and we have

auditors. We remit every penny to you. Our customers get itemized receipts on every purchase; we're not operating a cash and carry operation.

As a wise legislator once told me, never be afraid of what the free market will allow you to do. It's time to take the shackles off of the liquor stores, allow them to sell other products, allow them to own more stores, allow small towns to have their liquor store and sell other products to eliminate food deserts. And under our bill this year they get to keep liquor. This will spur growth and economic development for them.

We are often told the only reason we want this is for greed, but I would argue greed is what keeps the system as it is – there's no reason the government shouldn't open the market to allow the sale of legal products.

Don't wait for a crisis, act now, let's move forward on this issue. When consumers win, we all win.

Dick Stoffer
Hy-Vee