Statement Of

Carl Martincich

Vice President, Human Resources and Government Affairs

Love's Travel Stops and Country Stores

Oklahoma City, Oklahoma

On behalf of

NATSO, Representing America's Travel Plazas and Truckstops

Before the

U.S. House of Representatives

Committee on

Agriculture

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Past, Present, and Future of SNAP: The Retailer Perspective

SUMMARY OF TESTIMONY

1. The travel plaza and truckstop business is a diverse and evolving industry. Every travel plaza and truckstop includes multiple profit centers, catering to not only professional truck drivers, but to the entire traveling public, as well as the local population that lives in close proximity to a travel center location.

2. The travel plaza industry plays a vital and growing role in the Supplemental Nutrition Assistance Program (SNAP). Many NATSO members' convenience stores redeem SNAP benefits. These stores are often located in rural areas with few other places for local, economically disadvantaged residents to purchase food. Such residents often rely on NATSO members' stores. If these stores did not participate in SNAP, many SNAP beneficiaries would be forced to travel long distances to purchase SNAP-eligible products.

3. Although Love's' initial experience with the Food Stamp program at the beginning of the last decade was not favorable, most of those issues have been resolved. Today, our experience with SNAP is excellent. There are very few administrative complexities or glitches, and USDA staff is professional and helpful. Some potential areas for improvement include allowing retail sites to test SNAP point-of-sale equipment before it goes live, and providing a self-serve mechanism inside the store for beneficiaries to check their account balances prior to making purchasing decisions.

4. Love's has always been on the cutting edge of the industry when it comes to providing healthier food options for the consumer. We are driven by consumer demand, and have responded to our customers' evolving demands for healthy food items in a variety of ways. One example is our grab-and-go fresh fruit program, where we display a variety of fresh fruits (apples, bananas, fruit cups, etc.) in a high value, high visibility area near the cashier stand.

5. Love's is extremely concerned with a recent proposed rule issued by the USDA. The proposal would effectively ban the truckstop and travel plaza industry from continuing to redeem SNAP benefits, harming not only these businesses but more importantly the beneficiaries who have come to rely on them to buy food for their families. Because recipients in these areas often have limited or no transportation to get to a qualified store, reducing the number of redemption points in this manner would leave them with even fewer options. USDA and the members of this Committee should consider the beneficiary's perspective as it considers retailer eligibility policy. The USDA's proposed rule should be revised substantially before it is finalized.

INTRODUCTION

Chairman Conaway, Ranking Member Peterson, and Members of the Committee, thank you for the opportunity to testify today. My name is Carl Martincich. I am the Vice President of Human Resources and Government Affairs at Love's Travel Stops and Country Stores headquartered in Oklahoma City, Oklahoma.[1] I am testifying today on behalf of NATSO, the national trade association Representing America's Travel Plazas and Truckstops. [2]

The travel plaza and truckstop business is a diverse and evolving industry. Every travel plaza and truckstop location includes multiple profit centers, from motor fuel sales and auto-repair and supply shops, to hotels, sit-down restaurants, quick-service restaurants and food courts, and convenience stores. It is an evolving industry that once was tailored solely to truck drivers, and now caters to the entire traveling public, as well as the local population that lives in close proximity to a travel center location.

Convenience stores located at travel plazas are increasingly offering fresh food and meals for our customers to purchase and eat at home. Healthy food options have increased significantly in the industry as customer demands have continued to evolve. As an industry that prides itself on recognizing and adapting to our customers' needs, we realize that often times we are the most convenient place for the local population to shop for food. The industry has responded, and hopes to continue to grow in the fresh and prepared food space.

The travel plaza industry plays a vital and growing role in the Supplemental Nutrition Assistance Program (SNAP). Many NATSO members' convenience stores redeem SNAP benefits. These stores are often located in rural areas with few other places for local, economically disadvantaged residents to purchase food. Such residents often rely on NATSO members' stores. If these stores did not participate in SNAP, many SNAP beneficiaries would be forced to travel long distances to purchase SNAP-eligible products. This would be not only inconvenient, but for many of our customers virtually impossible as they might only be able to shop at a store within walking distance of their home. Many SNAP recipients do not have access to means of transportation.

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[1] Founded in 1964 and headquartered in Oklahoma City, Love's Travel Stops & Country Stores and its affiliated companies have over 15,000 employees, 370 retail locations in 40 states, 230 truck tire care facilities, 700 fuel transport trucks, 1,000 rail cars, 7 fuel terminals, and five hotels throughout the United States. Love's is one of the largest food service operators in the country, owning and operating hundreds of quick service restaurants and over twenty popular brands. Love's is currently #14 on the Forbes list of America's largest private companies. Love's is a family-owned business, and includes Executive Chairman Tom Love, Co-CEO Frank Love, Co-CEO Greg Love and Vice President of Communications Jenny Love Meyer.

Carl Martincich is the Vice President of Human Resources and Government Affairs for Love's Travel Stops & Country Stores. He is responsible for all human resource functions including recruiting, training, payroll and benefits. Carl is also responsible for the direction of various government affairs initiatives at both the state and federal level. Carl joined Love's in 1982, beginning his career in store operations managing a single convenience store and then progressed to multi-unit supervision directing 60 stores in five states. He moved into the corporate office in the mid 1990's and has been in his current position since 2011.

[2] NATSO's mission is to advance the success of the truckstop and travel plaza industry. Since 1960, NATSO has dedicated itself to this mission and the needs of truckstops, travel plazas, their suppliers, and their customers by serving as America's official source of information on the industry. NATSO also acts as the voice of the industry on Capitol Hill and before regulatory agencies.

In the testimony that follows, I will provide a brief overview of Love's' experience with SNAP, as well as a brief discussion of how the government could harness the travel plaza industry to improve the program. I will also address Love's' effort to increase the amount of fresh healthy food items that we offer in our stores. I will conclude by discussing the proposed rule that the Department of Agriculture (USDA) recently released, and why it would effectively foreclose Love's and other travel plazas from continuing to play their important role in SNAP by providing food to rural America's most disadvantaged citizens as SNAP retailers.

Love's' History with SNAP

Love's first participated in the Food Stamp program in the early 2000's offering redemption of benefits primarily in rural areas of Oklahoma at approximately fifteen Love's Country Store locations. Participating in the Food Stamp program at that time was a very time-consuming process for licensing, handling the coupons, and redemption. The licensing process in particular was extremely difficult and laborious for adding and qualifying new stores. The certification and training process was inefficient as store management had to travel to a central training location, sometimes over one hundred miles away. The Food Stamp coupons were handled manually at the register like cash and the reimbursement to the retailer often took many weeks.

In the middle part of the last decade, Love's briefly exited the SNAP program. We found that the laborious administrative costs did not justify an investment in the face of what was, at the time, minimal consumer demand.

In 2008 Love's began to reevaluate potential participation in the program. As the economy struggled, many more of our customers were qualifying for assistance and – particularly in rural areas – began asking for SNAP redemption at our stores.

At the same time, technological advancements made our participation in the program easier. No longer did we have to travel many miles for training. The transaction complexities subsided and redemption lag times diminished exponentially. The licensing / authorization process became, and remains to this day, quite simple.

Indeed, the current administration and application enrollment process for established vendors to install new SNAP redemption points of sale is de-centralized by region and handled efficiently through emails. Also, with the easy-to-use Electronic Benefit Transfer or "EBT" card used for redeeming SNAP benefits, it reduces the instances of system breakdowns, problems and glitches.

In 2010, after a thorough examination of the program changes and our customers' evolving needs, Love's made the business decision to requalify for (now-)SNAP redemption across our network. Today more than 300 Love's Travel Stops and nearly 60 Love's Country Stores are certified SNAP redemption retailers. We expect this number to grow, as we continue to see high demand in rural, low income communities where a Love's store may be the only redemption point for 20-30 miles.

Areas for Program Improvement

It is worth reiterating that, as a general matter, our experience with SNAP has been positive and efficient. USDA staff have for the most part been easy to work with, and have done well working with Love's employees and the entire private sector to facilitate widespread access to nutrition for

America's low-income households. Love's is quite satisfied with our recent experience with the program and those individuals who are charged with administering it.

In communicating with my colleagues who work with SNAP on a daily basis, several common suggestions for improvement arose, however.

First, it would be helpful if there was a process for the retailer to test the system prior to activation, or "going live." Once a location is certified there is no way of testing the system for accuracy until we run the first "EBT" card from a customer. This stands in contrast to most other technology systems we implement at the store level, which generally provide for numerous testing and verification opportunities.

Second, we should have a mechanism in the store for customers to look up their EBT balance prior to making purchasing decisions. This could come in the form of a kiosk or other type of self-serve verification terminal. As it stands today, if the SNAP recipient does not have access to a computer there is no way for them to verify the balance on their "EBT" card until they get to the cash register. This may result in a negative interaction between the cashier and customer, where customers are informed, potentially with others standing within earshot, that they do not have sufficient funds to complete their purchase. This is not good for the customer, for Love's, or for the relationship between the two.

One area where USDA has improved is the manner in which benefit payments to beneficiaries have been staggered throughout the month, rather than all beneficiaries receiving their benefits on the same day. Before, there was a consistent uptick in SNAP customers coming in soon after benefits were dispersed, creating store traffic and other complexities. Today, benefits are dispensed on a staggered basis. Every month, the "EBT" cards are re-allocated or loaded with the new month's benefits for the recipient. The re-allocation takes place from the 1^{st} to the 10^{th} of every month, based on the last four digits of the recipient's SNAP case number (example: 0-3 = 1^{st}, 4-6 = 5^{th}, 7-9 = 10^{th} of each month). Spreading out the re-allocation in this way eliminates an influx of recipients in our stores on the first of each month.

Love's Initiatives to Sell Healthy Foods

Love's has always been on the cutting edge of the industry when it comes to providing healthier food options for the consumer. We are driven by consumer demand, both in terms of identifying popular products that we currently sell, and identifying products that our customers are asking us to sell that may not currently be found in our stores. As with any successful retailer, identifying what our customers want and responding to it is what we do.

With respect to healthy food options, there has been a steady increase in demand, though it has not been as substantial as many public officials might prefer. Nonetheless, we have responded to it in a variety of ways. For example, with our grab-and-go fresh fruit program, we display a variety of fresh fruits (apples, bananas, fruit cups, etc.) in a high value, high visibility area near the cashier stand. This is the most valuable real estate in a convenience retail environment, as it offers an opportunity for retailers to display high margin, "impulse-buy" items as customers approach and wait in line for the cash register. This is where many Love's stores place fresh fruit options.

Although we have had great success with our grab-and-go fresh fruit program, it is important to note that selling perishable food products in the rural areas where our stores tend to be located is complex. Deliveries are less frequent than at larger grocery stores located in more population-dense areas. Our wholesale suppliers make fewer items available to us than they do larger grocery chains. Availability is tied largely to what our supplier identifies – through sophisticated data analysis – to be most likely to sell in our specific channel of commerce.

Additionally, as is common in chain retail, each Love's store is internally required to carry a standard selection of items for consistency across our network, with some flexibility for local and regional tastes or specials whenever possible. Love's continues to have good success when offering a variety of fresh food and other healthy options.

Notwithstanding these complexities, Love's works hard to try and expand the fresh and healthy offerings in our stores. Working closely with our vendors, we employ good product management skills to minimize spoilage and waste. With the typical design and layout of an existing Love's store, there is limited space to accommodate a changing and complex selection of fresh and healthy options. Love's' team of buyers and planning experts continue to implement creative layouts and designs to optimize storage and food preparation space limitations.

I am particularly proud of Loves's' efforts to offer more fresh, healthy food items to our customers, and think we should be viewed as a model retailer in terms of helping USDA fulfill SNAP's objectives.

USDA's Proposed Rule Enhancing SNAP Retailer Standards

Before concluding, I would like to address some of the serious concerns I have with a recent rule USDA has proposed that would change SNAP retailer eligibility requirements.[3] As written, the proposal would effectively ban the truckstop and travel plaza industry from continuing to redeem SNAP benefits, harming not only these businesses but more importantly the beneficiaries who have come to rely on them to buy food for their families. Because recipients in the rural areas where travel plazas tend to be located often have limited or no access to transportation to get to a qualified store, reducing the number of redemption points in this manner would leave them with even fewer options.

The proposed rule is all-the-more troubling because it completely disregards Congress's clear intent when it passed the 2014 Farm Bill. In that legislation, after many hours of negotiations, Congress sought to strike a balance between (i) enhancing beneficiaries' access to fresh, healthy food options, with (ii) the integral role that small format retailers – including convenience stores located within travel plazas – play in the program. Congress clearly wanted to enhance retailers' stocking requirements, but just as clearly it did not want to impose burdens so onerous that small format retailers could not meet them.

To be clear, Love's does not oppose efforts to increase beneficiaries' access to fresh, healthy food. But the USDA's proposed rule doesn't do that. In fact, it would *decrease* beneficiaries' access to healthy items by prohibiting them from buying such items with SNAP benefits at Love's and other similar stores.

[3] Enhancing Retailer Standards in the Supplemental Nutrition Assistance Program (SNAP). 81 Fed. Reg. 8015 (Feb. 17, 2016.)

In the 2014 Farm Bill, Congress adopted changes to the SNAP regulations' "depth of stock" requirements establishing minimum quantities of staple food items that retailers must offer for sale in order to redeem SNAP benefits. By increasing the minimum number of items in each staple food category from three to seven, and increasing the categories in which retailers must have a perishable item from two to three, Congress exhibited a clear understanding that (a) excessive stocking requirements would uniquely affect small format retailers and thereby restrict access for beneficiaries that frequent them, and (b) this was an undesirable outcome.

USDA's proposed rule exhibits no such understanding. In fact, it appears to directly dismiss Congress's view and proceed with a rule designed to force small format retailers out of the program. The proposal would do this in two ways:

"15% Provision"

The proposal provides that no more than 15% of a SNAP retailer's total food sales can be for items that are cooked or heated on-site.

A fundamental feature of travel plazas is that they contain both convenience stores and quick-serve or sit-down restaurants at one location. A good travel plaza is a "one-stop-shop" for the traveling public, both commercial truck drivers and recreational travelers. To serve the needs of this diverse customer base effectively, at all hours of the day and night, we need to offer a variety of food options, from quick grab-and-go snacks and beverages, to more formal sit-down dining options. This diversity of profit centers – all within a single travel plaza location – is integral to our business model.

The proposed rule would aggregate food sales across all of these different food-serving entities, and impose a cap of 15% for food that is cooked or heated on-site. It does this even though only the convenience stores at our travel plazas are in the business of redeeming SNAP benefits. If we operate a quick-serve restaurant adjacent to that convenience store, our customers cannot buy food at that restaurant with their SNAP benefits. The two entities are, for purposes of SNAP and from our customers' perspectives, completely separate.

Nonetheless, USDA takes pains to emphasize that it is conflating the two entities for purposes of this proposed rule:

> *Establishments that include separate businesses that* ***operate under one roof and have commonalities, such as sale of similar foods, single management structure, shared space, logistics, bank accounts, employees,*** *and/or inventory, are considered to be a single establishment when determining eligibility to participate in SNAP as retail food stores.*[4]

USDA's insistence on this issue is perplexing. If a Love's convenience store is eligible to participate in SNAP based on USDA's guidelines, it should not be rendered ineligible simply because Love's also operates a restaurant adjacent to that store. Indeed, at literally hundreds of our SNAP-redeeming convenience store locations, there are also hot food restaurants, and these

[4] 81 Fed. Reg. 8020 (Feb. 17, 2016) (emphasis added).

two entities can "operate under one roof and have commonalities, such as . . . single management structure [Love's], shared space, logistics, bank accounts, and employees."[5]

It should be noted that there are other travel plaza companies and operators who take a different business approach and are more likely to *lease out* property at their travel plaza locations to *third parties* to operate restaurants and other businesses on-site. For example, rather than the travel plaza company operating a quick-serve restaurant as a franchisee, the company might lease out the space to a separate business to run a quick-serve restaurant as a franchisee. To the customer, there is no noticeable difference between these two approaches. Yet to USDA, it appears to be a key factor in determining whether the convenience store that happens to be "under the same roof" as the restaurant is permitted to redeem SNAP benefits.

This is silly.

The 15% threshold is completely incompatible with the travel plazas' business model – far more than 15% of a given travel plaza's food sales will be cooked or heated on-site when factoring in these other restaurant-type entities. This 15% provision would likely foreclose every Love's location from continuing to redeem SNAP.

Beyond the negative consequences that this 15% provision would trigger, it is premised upon a flawed method of determining retailer eligibility – one that Congress specifically rejected during the 2014 Farm Bill negotiations. Once a retailer meets the necessary eligibility requirements to redeem SNAP benefits, it should be allowed to participate in the Program. Love's is in the business of identifying products that our customers want to buy and then selling those products. As with any successful retailer, we understand that demand drives supply, supply does not drive demand. For this reason, it makes little sense to tie a retailer's eligibility to participate in SNAP on what products its customers choose to purchase, for this is a variable over which retailers do not have control.

Placing a ceiling on the quantity of hot and prepared food items – <u>which are ineligible to be purchased with SNAP benefits</u> – that SNAP retailers are permitted to sell would eliminate many small format retailers from the program, and discourage many more from getting involved to begin with. This would not further the program's purpose to "promote the general welfare and safeguard the health and well being of the Nation's population by raising levels of nutrition among low-income households."[6] In fact, it *threatens* the achievement of this purpose by permitting USDA to make arbitrary decisions denying qualified retailers' application to redeem SNAP benefits. This in turn denies those retailers' SNAP customers a convenient source for food.

If a retail store stocks a sufficient quantity of healthy, staple food items to participate in SNAP, it should be able to participate without regard to whether it is operating in the same building as a restaurant or deli. Those two issues simply are unrelated.

<u>Depth of Stock</u>

The proposal would also require all SNAP retailers to stock more than 160 "staple food" items at all times in order to redeem SNAP benefits – a 14-fold increase from current requirements.

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[5] *Compare Id.*

[6] 7 C.F.R. 271.1(a).

Further, it eliminates many items that NATSO members sell from qualifying as "staple food" items, such as multi-ingredient items that people purchase and eat at home, including potpies, soups, cold pizza, and frozen dinners, or snack-food items such as crackers and carrot-and-dip "to go" packs. Finally, it prevents retailers from counting different types of a single food source as multiple "varieties" of that item (for example, ham and salami would both qualify as "pork" rather than different items that happen to be in the same category; turkey burgers, sliced turkey, and ground turkey all qualify as "turkey" rather than different items, etc.).

This is a dramatic and unnecessary departure from current rules. It fundamentally disrupts the compromise that Congress reached in the 2014 Farm Bill by changing the underlying definitions of terms that Congress relied upon in establishing enhanced depth of stock requirements.

Most troubling is that these provisions appear to be specifically designed to make it extremely difficult and expensive for travel plazas and convenience stores to redeem SNAP benefits. Requiring a SNAP retailer to stock food products that officials at the Department of Agriculture would prefer customers to buy would not change customer purchasing habits. (Demand drives supply.) It would, however, discourage many retailers from participating in the program because it is simply bad business to stock products that their customers – SNAP and non-SNAP – simply will not buy. For those small format retailers continue to participate, it would also very likely lead to wasting food, as the retailers would be stocking perishable products that will not move quickly off of their shelves. Finally, it would lead to inventory management complications. Indeed, as the complexity of the proposed "staple food" requirements change so do the complexities of product management, storage, rotation, and display. Our stock rooms are stacked to the ceiling with products that we have determined our customers want to buy. Injecting an excessive amount of other types of products into our supply will be extremely complicated for our store and inventory managers.

<u>If the depth of stock provisions are finalized as proposed, it would lead Love's and many other retailers to completely reevaluate the decision to participate in SNAP</u>. Many will exit the program.

I urge the Department of Agriculture and members of this Committee to consider the beneficiary's perspective as it considers retailer eligibility policy. Beneficiaries are often in a position where, sometimes, the limited hours of the day may require them to prepare affordable, quick-and-easy meals for their families to eat. It is a situation that everybody, from the witnesses testifying before you today, to the members of this committee, and even officials at USDA, often confront. We should not turn this activity into a luxury unavailable to SNAP beneficiaries who live in the rural areas near Love's locations. It is not fair to them, and it exhibits a level of disregard for the already difficult lives these citizens lead. We should be trying to make their lives easier, not harder.

USDA has gone too far with this proposal. If finalized, it would effectively prohibit smaller format retailers from participating in SNAP, and thereby *harm* the SNAP beneficiaries that the agency is charged with *helping.*

<u>Conclusion</u>

The truckstop and travel plaza industry takes seriously its role in the SNAP program. Love's' experience with the program has been largely positive. I am hopeful that we can continue to work together and build on past successes, while learning from the program's shortcomings, to fulfill the program's purpose of raising nutrition levels of the nation's most vulnerable and needy citizens.

Again, thank you for the opportunity to testify today. I am of course happy to answer any questions you may have.