



**Environmental Committee Testimony  
By Stan Sorkin, President**

**Connecticut Food Association**

**Wednesday, January 30, 2013**

**Testimony in Opposition to HB No. 5286**

Good afternoon, Chairman Gentile, Chairman Meyer and Members of the Environmental Committee. My name is Stan Sorkin, President of the Connecticut Food Association. I am testifying in opposition to **HB No, 5286 An Act Concerning the Redemption of Bottles at Bottle Redemption Centers**

The Connecticut Food Association is the state trade association that conducts programs in public affairs, food safety, research, education and industry relations on behalf of its 240 member companies—food retailers, wholesalers, distributors, and service providers in the state of Connecticut. CFA's members in Connecticut operate approximately 300 retail food stores and 200 pharmacies. Their combined estimated annual sales volume of \$5.7 billion represents 75% of all retail food store sales in Connecticut. CFA's retail membership is composed of large multi-store chains, regional firms, and single store independent supermarkets. CFA's 90 associate members include the supplier partners of its retail and wholesale members.

I am here today to voice the Connecticut Food Association's strong opposition to HB 5286 which would require that stores accept any container of the kind, size, or brand sold by the retailer rather than only accept containers from the kind, size, and brand sold in such a store. **The change of wording from "and" to "or" makes a simple requirement very complex and costly to a grocery store.**

**We interpret the wording to mean that a store would have to take back any container as long as it sold the same size or kind or brand of the subject beverage.** It would mean if Stop and Shop sold a 1 liter bottle of store brand seltzer, Stop and Shop would be required to take back all brands of 1 liter seltzer including competing store brands and name brands because it sold the same kind of product in the same size container. Connecticut stores would be required to redeem "out of state brands" on which no deposit had been initiated and thus cause the loss of escheat revenue. **By changing the "and" to "or" the brand restriction has been removed as a qualifier. This action subjects a store to substantial financial losses since they have not collected the deposit at time of sale and are now required to pay consumers the nickels for redeeming a container not purchased at the store. Plus, the**

handling fee issue has not been addressed by the bill. The store will be denied the handling fee from the distributor.

First, some background as to the business model under which a supermarket operates:

- A supermarket typically makes 1.0-1.5% bottom line profit. For every dollar in retail sales, a supermarket makes just 1 penny to 1.5 cents.
- Sales volume and expense control are the prime drivers of supermarket profitability.
- Sales volume is determined by its share of disposable everyday consumable dollars in a store's geographic trading area. Volume is affected not only by supermarket competition but by competition from mass merchants, club stores, drug stores, convenience stores, gas stations, dollar stores, etc. - all of whom sell everyday consumables. Volume is dependent on population, household disposable income, etc. Connecticut's lack of population growth, lack of job creation, increases in property taxes, increases in income tax, increases in gas prices and utility costs, and high unemployment rate have reduced disposable income and put pressure on a supermarket's ability to grow top-line sales.
- On the expense side, stores have met with increased unemployment taxes, higher insurance premiums, higher Worker's Comp rates, higher tax rates, higher energy costs and expenses to comply with federal and state regulations. Only supermarkets are required to comply with country of origin labeling (COOL) regulations. Convenience stores, gas stations, and dollar stores with less than 50 employees are not covered by mandated paid sick leave.

Now, let's take a closer look at the bottle law and its effect on a supermarket's cost of doing business

- A supermarket loses 2-4 cents on every container it handles under the bottle law.
- Supermarkets over-redeem containers vs. what they sell originally to their customers, Supermarkets are the redemption centers for containers originally bought in drug stores, convenience stores, and gas stations.
- Under the current law, the retailer is required to redeem bottles and refund consumers the nickel only on those products on products they stock. The deposit system works as follows. It is a loop system with the goal of keeping all parties "whole" on the deposit transaction. The distributor initiates the deposit creation. The retailer pays the distributor the nickel deposit at time of delivery into the store, the store charges the consumer the nickel. The consumer gets the nickel back when the container is returned to the store. The store returns the empty container to the distributor and is, after a delay, paid the deposit plus handling fee from the distributor.
- **Under the proposed bill which requires a retailer to take back a foreign bottle, the retailer does not remain whole. The retailer paid the consumer a nickel on the returned container. The retailer cannot return that container to a distributor because it is not an authorized product. The retailer is "out" the nickel, the handling fee, plus the money associated with the cost of handling the container. A store would lose approximately 10 cents on each of these transactions.**

- A loss of 10 cents on a transaction in a “penny on the dollar” business would require an addition \$10 in sales to offset the effect of redeeming a foreign bottle.

Reviewing the low profit business model of a supermarket, you can see the negative affect this bill would have on the industry. We cannot continue absorb additional costs of doing business in Connecticut. Connecticut would be the first state in the Northeast to implement such a law and again make the state’s retail business climate worse than surrounding states. Higher costs would again get passed on to consumers in a tough economic climate.

**For these reasons, we urge you to reject HB No, 5286 An Act Concerning the Redemption of Bottles at Bottle Redemption Centers**